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EDITORIAL

As We See It

In a way one can easily feel a certain sympathy for the President as he finds his elaborate system of control powers lapsing at precisely the time when most of his predictions as to what was to happen as a result of rearmament (and the forecasts of most others, too, for that matter) are failing confirmation by events. And the Chief Executive harboring hopes (or had been harboring hopes) of very considerable extension of emergency powers! As things now stand it may very well be that those political prognosticators in Washington are right who say that the President will be more than ordinarily fortunate if he obtains a continuation of the powers he now possesses. The price wars which have been so conspicuously on the front pages of the newspapers for the past few weeks are not likely to make easier the task of any political leader who wishes to convince the people at large that he must be made almost a dictator in order to prevent inflation.

We do not wish to enter into any extended discussion of the relative merits of the current arguments as to whether we are now having merely a temporary interregnum of price ease which will be quickly followed by the sequence of events which had been so widely predicted and expected prior to the present time. There can be no doubt that the enormous quantities of consumer goods of all kinds which have been produced during the first year of rearmament have astounded a great many. Whether and to what extent production of such goods can be continued during the next six months is at some points at least open to question—but further surprises may be in store for us all.

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Are Electric Utility Debt Ratios Headed Upward?

By W. F. STANLEY

Vice-President and Secretary, Southwestern Public Service Co.

Utility executive, commenting on rising debt ratios in utility capitalization, points out that under impact of higher taxes, there is greater temptation for concerns to finance through debt securities. Says this is due not only to low interest rates, but also because interest on unsecured debt is deductible before taxes are computed, while dividends on stock are not. Advocates preferred stock dividends partially exempt from taxes as remedy for situation, and thus enable utilities to absorb some impact of increased corporation taxes.

For many years the electric utility industry has striven to hold at a conservative level its ratio of debt to total capitalization.

W. F. Stanley

There are reasonable arguments why a higher degree of debt capitalization was permissible for utility debt securities issued in the last seven years. Interest rates were exceptionally low, and Federal income tax rates considerably higher than in the twenties and thirties. As by far the greater part of utility debt is refunded at maturity, the real test of the security is the coverage of interest charges, rather than the relation of the debt to total capital structure. However, in a regulated industry, the capitalization (at original cost) forms a basis for allowed return and obviously has a much greater bearing on security than in the case of industrial companies. Nevertheless, it is interesting to note that, assuming a bond interest rate of 4% in 1939 against 2.75% in 1951 (before the recent break in government bond prices) and a 15% tax rate against 47% today, earnings available for bond interest after taxes which would amount to a coverage of five times the 4% interest

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A Look Ahead at Electric Utility Financing Program

By GEORGE D. WOODS*

Chairman of Board of Directors, The First Boston Corporation, New York City

Prominent investment banker, commenting on proposed $7 billion in expenditures for electric power facilities during next three years, foresees adequate investment capital for purpose, though at slightly higher interest rates. Estimates new capital will be supplied as follows: one-third from industry itself, almost same amount from new bonds, and remainder from preferred and common stocks. Calls for streamlining SEC procedure to aid securities marketing. Points out need for adequate rates and dividends to make utility stocks attractive.

It is just about one year since the outbreak of war in Korea. It is now apparent that that event marked the end of the Post-World-War II period and the commencement of an era which is thus far being termed Defense Program or Defense Effort. It is the sincere hope that this Defense Program period will never be renamed the Pre-World-War III period by future recorders of our economic history. However, it must be recognized that either designation would carry the factual implication of a period of increasing government controls in practically all phases of business.

George D. Woods

In this period of change and uncertainty, I welcome the opportunity of addressing the leaders of an industry which is utterly indispensable to the nation and is of the most vital importance to a peacetime economy, a defense-effort economy, or a wartime economy.

It is my purpose to comment on certain matters af-

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*An address by Mr. Woods before the Nineteenth Annual Convention of the Edison Electric Institute, Denver, Colo, June 5, 1951.

PICTURES IN THIS ISSUE—Turn to pages 25, 26, 27 and 28 for candid shots taken at the Annual Field Day of the BOND CLUB OF NEW YORK on June 8 at the Sleepy Hollow Country Club, Scarborough, N. Y.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Tri-Continental Warrants (Plus Plenty of Cash) — Richard D. Donchian, Investment Adviser and President of Futures, Inc., New York City. (Page 2)

Puget Sound Power & Light Co. —Benson A. Selzer, Gruntal & Co., New York City. (Page 2)

RICHARD D. DONCHIAN

Investment Adviser and President of Futures Inc., New York City

Tri-Continental Warrants Plus Plenty of Cash

Back in March, 1950 when as a contributor to this forum I wrote on Western Union Co., at 20, as "The Security I Like Best," the underlying money and credit conditions which affect stock prices were favorable. Today, despite widespread talk of inflation, the money and credit factors are giving 'danger ahead' warnings for stocks. Inventories are bloated at all levels, among manufacturers, wholesalers, retailers and consumers. Since the first of this year a distinct hardening of money rates has occurred, with bond prices suffering the type of drop which throughout American financial history has almost invariably been accompanied by or followed by an important decline in stock prices. In my opinion, unlike the situation in early 1950, today it is difficult to find issues which have a better than even chance to hold their own in price over the next 12 months, to say nothing of doubling as Western Union did.

Richard D. Donchian

Perhaps you may agree in whole or in part with my pessimistic views on the market for this year; perhaps you may have valid reasons to disagree and to expect higher prices; or possibly you are somewhat confused and uncertain, as many of us are most of the time. Whatever your views may be, however, the program I am about to recommend has much in its favor. By adopting it you increase your chances of making money and protecting your purchasing power if the market goes higher, and you decrease your risk of losing money if the market declines. To put it briefly, "heads you make more," "tails, you lose less."

Tri-Continental Corp. is one of the oldest, and is now the largest closed-end diversified investment trust. As of current date after giving effect to the absorption by merger of Selected Industries Corp., its capitalization consists of almost $17 million of funded debt, approximately $38 million of $6 cumulative preferred stock, almost 4 million shares of common stock, and approximately 3 million perpetual warrants which entitle the owner to purchase 1.27 shares at $17.76 per share. Preferred and common shares are listed on the New York Stock Exchange, with the common currently selling at about 11¾, while the warrants are traded on the New York Curb Exchange at about 2¾.

The invesment portfolio of Tri-Continental Corp. is high grade and diversified. As of March 31, and there have been no major changes since then, net cash and government bonds amounted to $6.8 million or 5% of total holdings; other bonds and preferred stock were worth $23 million or 16.8%, and common stocks, divided among many industries with largest holdings in oils, utilities, chemicals, and construction stocks, were valued at $107 million or 78.2%. By and large, in spite of the fair-sized proportion of bonds and preferred stocks, the volatility of the entire investment portfolio is estimated to be about as much as, if not more than, the volatility of the Dow Jones industrial average.

For our purposes the great value over other securities of Tri-Continental common stock, and more especially of Tri-Continental purchase warrants, lies in the extremely high leverage these junior equities possess. Working assets are figured at approximately $35 per share of common stock, and with the shares at 11¾, they have a leverage factor of roughly 3. For each of the warrants working assets amount to around $45 (1.27 x $35). With the warrants, at 2¾, selling at a premium over current net worth, they are estimated to have a leverage factor of at least 12, and possibly as high as 15. In other words $1,000 invested in Tri-Continental warrants gives the owner as much inflation-hedge capital-gain potential as $12,000 to $15,000 invested in average Dow Jones leading stocks.

Based on asset value per share Tri-Continental shares are currently worth slightly over $18, which means that the shares are now selling at a discount of better than 33⅓% from net worth. In addition, perpetual warrants with inflationary hedge leverage always command, psychologically, a reasonable premium value no matter what happens to the underlying securities. These two factors give Tri-Continental warrants a much higher cushion of safety than their high up-side leverage would otherwise indicate.

Let's assume that you have $40,000 or $X invested in market leader common stocks which pay an average of 6%. By selling your leaders now, reinvesting 20% ($8,000 or ⅕ of $X) in Tri-Continental warrants and keeping the remaining 80% ($32,000 or ⅘ of $X) in the savings bank at 2%, you find yourself in the following improved position:

If within a year's time the market gains 30% from here your total resources should gain more than twice as much—⅕ of a leverage factor of 12 = 2.4 times; on a principal of $40,000, 72% or $31,800, instead of $14,400 ($12,000 plus $2,400 dividends) in the leaders. Furthermore, the discount on closed end trust shares tends to disappear as the market rises, and if the discount from net asset value of Tri-Continental shares narrows to less than one-third, you stand to make even greater gains.

On the other hand if the market drops 30% from here your leaders would show a loss of $9,600 ($12,000 less $2,400 dividends). Let us assume that Tri-Continental warrants might lose two-thirds of their value, which is a most unlikely and pessimistic assumption in view of the fact that they did not sell below 1¾ in the 1946-49 period, during which the Dow Jones industrial average was below 170 on several occasions. Even assuming such a drastic and unlikely drop your loss in the warrants would be less than half as much (⅔ of $8,000 = $5,334, less $640 savings bank interest, or only $4,694) as the loss if you stayed in the leaders.

You may say "Why should I sell good dividend paying stocks, buy speculative non-dividend paying warrants with part of the proceeds and accept a reduction of about two-thirds (6% to 2%) in income yield on the remaining amount?" The answer is this: With tax rates at least twice as high on dividend income as on long-term capital gains, you are much better off with capital gains than with dividends. In a rising period, as outlined above, you will make far more in capital gains with the warrants, and in a declining period no one can convince me of the wisdom of holding a stock for a 6% dividend yield in any year when it can easily decline 20% or more in price. Of course, if the market neither goes up or down you are slightly (very slightly) better off in the income producing leaders, but in my estimation, with today's international situation apt to turn either way fast, the market is just about as likely to remain at or around current levels during the coming 12 months as a coin, when tossed, is likely to stand on end. Holding 20% Tri-Continental warrants, and 80% cash, as against 100% in average market leaders, "Heads you make more," "Tails you lose less."

BENSON A. SELZER

Gruntal & Co., New York 4, N. Y.
Members New York Stock Exchange

Puget Sound Power & Light Company

In uncertain times like the present it is desirable to seek out equities that seem to provide better than average safety of principal, worthwhile income, and good percentage capital appreciation.

Puget Sound Power & Light appears to have the characteristics outlined above. This utility company operating in the State of Washington is now in the process of liquidation. The book value of approximately $22.50 per share represents a figure more than 40% above the current price ($15¾ bid offered at $16¼, being the present over-the-counter quotation). This is about $2.50 below its recent high which seems to be due to an exaggerated reflection of current uncertainties over near-term liquidation. It is expected that Puget Sound Power & Light will earn between $1.10 and $1.30 per share in 1951, more than adequate to cover the 80-cent dividend that the company has consistently paid during the past few years. At $16, the shares yield 5% annually.

The most insistent barrier to the liquidation of this company in one piece has been the absence of a Court-approved vehicle which would allow several public utility districts to jointly purchase a private utility system. In January of this year, the Supreme Court of the State of Washington sustained the validity of a law allowing such a joint purchase. In effect, this permits the sale of Puget's properties as a unit and has encouraged the management to negotiate for a more advantageous price than it might otherwise have secured.

In the annual report dated Feb. 6, 1951, the President of the company outlined four steps which the company must take in order to facilitate the sale of its business. Quotations from that report follow:

"(1) The question as to the pur-

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Mid-Year Observations on Business

By MELCHIOR PALYI

Dr. Palyi reviews recent events and near-term business outlook. Holds alleged success of raising interest rates is a short-lived one, and government bond market will continue to receive "selective" support. Says projected increases in excises and income levies are not likely greatly to reduce consumer expenditures, and concludes record $24 billion annual volume of plant expansion means no major set back this year or next winter.

The stock market's record as a business barometer has not been too good in the last decade. It was marred, in particular, by the 1946-49 break in the face of an unprecedented economic expansion. How much attention does its recent nervosity deserve—a decline by 15 points or so of the Dow-Jones industrial average after a rise from 160 to over 260 in less than three years?

Dr. Melchior Palyi

At the close of May, 200 leading stocks are selling approximately on a 6.6% dividend yield base, a level that should signal an upturn, if anything. But the market is buzzing with forebodings of a break comparable to 1946—when the same stocks sold on a 3.6% dividend yield. If the break then turned out to have been a mistake, what could justify its repetition at this juncture? Or are the quotations merely swinging with the rise and decline of peace rumors?

The "threat" of peace in Korea (and beyond?) was discussed by the writer in the "Chronicle" of May 31. The President does not tire of proclaiming that World War III is more imminent that we realize. But just a year ago, June 10, the identical Mr. Truman announced that ". . . we are closer to world peace now than at any time in the last three years." Admitting the Administration's sincerity (as distinguished from their intelligence), could they not change their minds again? What matters, however, is the force of facts. We believe that no World War is in sight, but that the Korean "incident" will continue[1]; and so will the *Economy of Tension.*

Disregarding the mess that is called Foreign Policy, one need not look very deep into the crystal ball to visualize some of the near-term uncertainties which becloud the business outlook. To begin with, the worry about a further rise in interest rates has subsided. Rightly so: that the government bond market had been "liberated" from the pegs is an undiluted myth.

The support of the bond market still is in operation (in a selective fashion), holding the yield on the leading issue around 2.7%. The "dumping" of long-term government paper did not cease. Savings banks, for one, sold $100,000,000 worth in April—and the Federal Reserve acquired $300,000,000—to turn the proceeds into mortgages, corporate and municipal bonds, though the net growth of savings deposits exceeded that in the same month of 1950. Commercial banks and insurance companies, too, are slowly liquidating their long-term portfolios. And credit expansion has restarted after a short interruption. True, it is slowed down by the "squeeze" on security dealers and real estate bankers—but only until interest rates will have been adjusted all around. Rates on insured mortgages, for example, must rise by ½% or so before new credits are likely to be forthcoming in large volumes (if the housing boom is not stopped in the meantime).

The alleged success of "raising" interest rates, namely, discouraging debt-monetization, is a short-lived one at best. Surely, no one in his right mind expects that the government bond market would be left to the free play of the law of supply and demand, or that the long-term rate could rise so as to become even remotely competitive with the prevailing dividend yield level on common stocks.

What is accomplished is a totally undesirable shortening of the maturity of the national debt. Witness the Treasury's refinancing of some $10 billion of bonds and notes maturing in June by offering 9½ months (!) certificates at a 1.875% yield in exchange.

Taxes

The 1950 boost of corporate taxes has been taken in stride. Now, the excess profits tax is to be raised presumably by $730,000,000—for demagogic reasons, and by the trick of changing the base from 85% to 75% of prewar profits. Even so, dividends are not likely to suffer much if the year's corporate net before taxes turns out as estimated at $45 billion, about 10% higher than last year's total.

Nor could the other levies under Congressional scrutiny "kill" corporate profits by greatly reducing the volume of demand for goods and services. Given the rising level of personal income—at an annual rate of $240 billion in the first quarter, 16% over the same period a year earlier—the projected increases in excises and personal income levies are not likely to reduce greatly consumer expenditures. As a matter of fact, the new tax bill promises to be a boon to inflation. By scuttling the general sales tax, keeping excises low and shifting the burden of higher income tax rates largely on the upper brackets, it will dis-

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[1] Short of "appeasement" or of sanctions a la MacArthur.

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225,000 Miles of Track—Where's the Mileage Headed?

By IRA U. COBLEIGH
Author of
"How to Make a Killing in Wall Street and Keep It"

Containing some provocative and timely comment on our largest industry with an unusual "main line" of argument.

In the dog days of the early '30s, some 70,000 miles of American railroad chugged into the financial flophouse — insolvency. In due course there emerged a reorganization (a word I define as "I owe you 10; want to try for 5?") of most of the affected properties so that today the only big one that hasn't rationed out new securities to the patient and long-suffering investors is Missouri Pacific. Unfinished legal business, and the customary delivery of scrip, income bonds, or shares still await the security holders of such lesser haulers as Florida East Coast, Wisconsin Central, Susquehanna and Western. Only the implemented civic pride of upstate New Yorkers has kept Ontario and Western from selling off its rolling stock and tearing up its tracks for delivery to steel mills, or Mexicans.


Ira U. Cobleigh

Look at it another way. For 1929, combined net earnings of U. S. railroads have been set down at $970,000,000. In 1950, they were $783,000,000 and, in only two years, 1942 and 1943, has this figure (the 783 million) been exceeded. But here's the real point—with a fantastic growth in population, in personal income, and in total tonnage handled, plus great improvement in railroad property and operating efficiency in the last 22 years, net earnings of railroads (even during the fattest years of World War II) never came near 1929 results. 1929 net railroad earnings stand out like Hoover at a Jefferson Day dinner.

Against this dreary lag in net earnings by the rails, ponder for a moment the perfectly fabulous earnings growth in other big industries in the same period. Electric light and power, natural gas, oil, chemical, motor and rubber companies, rayon textiles and paper companies have all dwarfed their 1929 earnings figures; and most of these today offer bright vistas of continued net growth. Not so the railroads.

Another thing—the total area of railroad service has been narrowed. Unprofitable mileage has been systematically sloughed off since the '30s, first so a road could meet its debt charges and, more recently, for another reason. (From 1932 to 1950 over 23,000 miles of track were abandoned.) On June 5, 1951, the Department of Agriculture recommended that "money-losing passenger trains be removed from service to try to put the nation's railroads on a sounder financial basis." This is no pious free advice to a sick friend. On the contrary, it's a special pleading for farmers who feel that if the railroads quit losing money on passengers, then the freight tickets for pigs and cows could come cheaper!

So far, we've talked about what's happened, but we haven't said why. The answer is importantly found in one word—LABOR. For years, till 1941, the Railway Labor Board was looked upon as an almost ideal institution, solving the rail wage rates with model harmony and efficiency. Then, beginning in 1941, railway labor got dissatisfied with the altitude of the raises it was gleaning in this orderly way, so it carried its demands past the Board to the White House. And that's where all the big labor disputes since then have wound up. This would not perhaps be worth mentioning except that every fact-finding board set up by a President has waggled its way into awarding labor a far larger slice of its original demands, than orthodox collective bargaining could ever have won. Under such circumstances, railway management at the bargaining table is roughly in the same position as the turkey at the dinner table!

If you think I'm dreaming this up, just look at some of the results of this labor bite on the box (car) score!

Railroad—	Net Earnings as a Percentage of Gross 1929 (1st Quarter)	1951 (1st Quarter)
Atlantic Coast Line	29	6
Great Northern	15	(Deficit)
New York Central	15	(Deficit)
Union Pacific	19	13
Virginian	40	16

Lest it be thought I just picked these five regional roads out of a hat to prove a point, be assured that all major roads show heavy declines like this.

To kick it around another way, right now out of every dollar of railway gross 50 cents goes to labor—against 41 cents in 1929. And in 1929 there were many thousands more in the railway labor force than today. In February (this year) the non-operating railway workers got a new agreement which boosted the labor take by $500,000,000 alone. It would take an across-the-board ICC rate increase of 8% to catch up with that single item!

Rail competition has been real rugged too. Trucks and trailers (which the railroads contend wear out more highway than their licenses and overload fines kick in for) have zoomed in tonnage in the last decade; air and water transport has increased, and pipe lines are a steady threat to coal traffic and to railway tank cars.

You'd think, for all the gloom I've been dishing out up to now, that railroads were in the dumps for good. But I have news for you—there are some bright spots too! Like this:

(1) The railway labor force is going down, so raises even though heavy, are multiplied by fewer time cards.

(2) The railway plant is highly expansible. With the same tracks and trains, it can carry lots more freight and deliver good chunks of these added revenues to net.

(3) Rails are prime war babies. Despite all the ballyhoo for other types of transport, the rails carried about 85% of the inland freight in this country in World War II. And it sure looks like we're going to be living in a war-like economy for a long spell.

(4) Rails enjoy wonderful excess profits tax shelter.

(5) Rails earn cash dollars. Their earnings are real and are never pumped up by inventory profits nor slogged by inventory losses.

(6) The ICC has been consistently sympathetic in rate relief requests and in petitions for abandonment of losing trackage.

(7) The railroad "plant," heavily improved since the war, is in splendid shape; Dieselization and new cars are bringing greater operating efficiency.

(8) Everybody likes to get out of hock and the railroads have been doing a good job along these lines. Only B. & O. is left with a big hunk of RFC debit and the headlines of the last week suggest that this 70-odd million dollar credit line will soon go on a reducing diet. Elsewhere, railroad debt (excluding equipment) in the last decade has been reduced over $2,250,000,000.

So although, if through over-optimism or over-capitalization (or both) in the '20s, the rails later lost caste financially, they've moved back on the right side of the tracks now! Remember, too, Pennsylvania has paid dividends in each of the last 102 years; Union Pacific for 50 years, ditto Norfolk and Western. And if you want to talk about golden gambles, how could you have done better than hooking onto St. Louis Southwestern at a measly dollar a share in 1941 and selling it at 300 this year? And what about MOP preferred from 4⅛ in 1950 to well above 30 this year?

Right now there seems to be lively interest in those rails which have favorable territory and fine present earnings like Denver & Rio Grande, Southern Pacific and Gulf, Mobile and Ohio; and those which hop up their railroad properties with oil land, or other productive investments, like Union Pacific, Northern Pacific and Canadian Pacific. You know you'll run across lots worse investments than any of these!

So we wind up with the view that railroads are our prime conveyors of freight and contribute vitally to our economy as enormous buyers of equipment and supplies. While it's true that no vast expansion like building a new "Atchison" is at all likely, it's highly possible for a number of lines to glean bigger earnings using just the assets they now have. Though they're losing "steam" on the rails, they may be getting up steam for bigger dividends. That may be whither some may be heading.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The holiday-shortened week had a slightly adverse effect on total industrial output last week, but production continued to show a noticeable gain above the level of the preceding year. According to the Federal Reserve Board production index industrial output in May of this year was the greatest since June, 1945, advancing to 223% of the 1935-39 average. This compared with 222% registered for March and April. In May of 1950, the index stood at 195%. Latest reports indicate that while initial claims for unemployment insurance fell during the week ended May 19, continued claims tended to rise somewhat.

The steel market outlook for the third quarter is shaping up pretty much as expected, says "Steel," the weekly magazine of metalworking. From the standpoint of supply, in all likelihood it will prove about the toughest yet experienced in the emergency by civilian goods manufacturers. "Free" steel for the general market after rated needs are cared for may not exceed 25 to 30% of total production, it is estimated in some quarters. In certain products, the amount of "free" steel will fall considerably short of demand despite reduced manufacturing schedules occasioned by mandatory cutbacks in steel use and vacation interruptions.

A high degree of uncertainty prevails among steel producers and their customers as the date for switching to the Controlled Materials Plan distribution, July 1, approaches. Procedures for reporting monthly production and shipments of steel mill products under CMP were outlined last week in instructions to producers by the National Production Authority. Steelmakers are asked to file their first reports in a new reporting sheet by June 18, and thereafter no later than the fifteenth of each month.

Indications are that the third quarter will be only a "warm-up" period for CMP, complete transition from the priorities system being unlikely before the fourth quarter at the earliest, this magazine states. Meanwhile, preparatory to diverting larger tonnage to defense and related needs, steel control authorities are issuing additional regulatory orders on production and distribution which add up to tighter controls and less tonnage for the general consuming trade. As part of the transition to CMP, third quarter use of iron and steel in most consumer durable goods is restricted to 70% of base period consumption. Automobiles, removed from the list of consumer durables, are controlled under a separate regulation which, through steel use limitation, will have the effect of cutting third quarter output an estimated 37% under third quarter 1950. This will mean production of 1,200,000 cars against 1,894,676 a year ago. Under the order, auto builders can turn out more cars without using more steel by changing to production of lighter models.

Steel production the past week rose fractionally to 103.2% of capacity and is scheduled the current week to show no change. Car and truck production also increased in the post-holiday period, rising to a 7,250,000 unit rate a year, or the second best in history, despite material restrictions.

In the automotive industry production suspensions have been announced by General Motors, Ford, Studebaker, Hudson and Kaiser-Fraser because of adjustments to restrictions on use of critical materials, "Ward's Automotive Reports" stated in a review of recent announcements. Such shutdowns either planned or consummated, already affect 75% of the industry's production capacity and are the results of efforts to keep current employment rolls intact.

The shutdowns in no way impair attainment of programs

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The State of Trade and Industry

which indicate a record truck year and the second-best 12 months for passenger car assembly in history.

Steel Output Holds at 103.2% of Capacity for Current Week

This week the stampede to gain protection under the Controlled Materials Plan umbrella is testing the durability of controls machinery to the core, according to "The Iron Age," national metalworking weekly. Industries included under CMP are vieing for larger shares of basic metals. Those not included are carefully but quickly collecting evidence that they are essential—or at least more so than some who have gotten the nod from the National Production Authority.

Producers of basic metals are asking pointedly, "How far shall we go on controls?"

This week they are facing strong pressure from three directions: (1) Because 75% or more of basic metals production will be distributed under CMP, the plan should be extended to include total output. (2) CMP is slated to control too much of the economy; a sharp line should be drawn limiting priority to strictly military goods. (3) The present plan isn't even in operation yet; it should be given a chance to work.

Under CMP metal left on hand at the end of a quarter will be subtracted from requirements during the next quarter. But NPA isn't waiting for the books to reveal this hidden treasure. They know a closer check on inventory and lead time can take a little pressure off demand now instead of several months later, concludes "The Iron Age."

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 103.2% of capacity for the week beginning June 11, 1951, based on the industry's increased capacity of Jan. 1, unchanged from a week ago.

This week's operating rate is equivalent to 2,063,000 tons of steel ingots and castings for the entire industry, compared to 103.9% or 2,077,000 tons a month ago. A year ago it stood at 101.1% of the old capacity and amounted to 1,927,200.

Electric Output Recovers Sharply Following Decline of Previous Week

The amount of electrical energy distributed by the electric light and power industry for the week ended June 9, 1951, was estimated at 6,733,662,000 kwh., according to the Edison Electric Institute.

The current total was 288,841,000 kwh. above that of the previous week, 812,835,000 kwh., or 13.7% above the total output for the week ended June 10, 1950, and 1,433,571,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Decline in Holiday Week

Loadings of revenue freight for the week ended June 2, 1951, which included the Memorial Day holiday, totaled 744,644 cars, according to the Association of American Railroads, representing a decrease of 67,155 cars, or 8.3% below the preceding week due to the holiday.

The week's total represented an increase of 34,748 cars, or 4.9% above the corresponding week in 1950 and an increase of 45,820 cars, or 6.6% above the comparable period of 1949.

Auto Output Advances in Post-Holiday Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 155,323 units, compared with the previous week's total of 121,476 (revised) units.

Ward's noted that last week's production was at the rate of 7,250,000 units a year—which would be the second best in history—despite material restrictions.

For the United States alone, total output was 145,719 units against last week's revised total of 111,778 units, and in the like week of last year 191,417. Canadian output in the week totaled 9,604 units compared with 9,698 units a week ago.

Total output for the current week was made up of 114,414 cars and 31,305 trucks built in the United States and a total of 6,981 cars and 2,623 trucks built in Canada.

Business Failures Turn Upward

Commercial and industrial failures rose to 172 in the week ended June 7 from a holiday low of 132 in the preceding week, Dun & Bradstreet, Inc., notes. For the first time this year, casualties exceeded the 1950 level; although above the 164 which occurred a year ago, they were slightly below the 1949 total of 174. Continuing to be less numerous than in prewar years, failures were down 38% from 279 in the comparable week of 1939.

Food Price Index Dips Sharply in Latest Week

Food prices continued generally lower last week. The Dun & Bradstreet wholesale food price index for June 5 fell to $7.08,

Continued on page 44

Curb Head Urges Prospectus Reforms

Edward T. McCormick tells Investment Association of New York underwriting firms offered SEC no worthwhile suggestions for improving documents.

Edward T. McCormick, President of the New York Curb Exchange, threw the blame for the fact that prospectuses continue to be long and unreadable upon the financial community on June 7 in a talk before the Investment Association of New York. More than 40 members of the association attended the luncheon meeting held at Oscar's Oldelmonico Restaurant.

E. T. McCormick

Mr. McCormick said that, when he was a Commissioner of the Securities and Exchange Commission recently, he sent letters to underwriting firms asking for their help in improving prospectuses. He said he received no worthwhile suggestions.

"Here was a golden opportunity for them to make prospectuses readable and informative to investors," said Mr. McCormick. But, according to Mr. McCormick, the members of the financial community showed by their inaction that they did not want to take the responsibility for summarizing and condensing financial information.

The timely delivery of prospectuses is, Mr. McCormick said, the most important part of the proposed amendment to the statutes under which the SEC operates. As it is, Mr. McCormick said, underwriters and dealers sell 85 to 90% of new offerings orally, through a loophole in the law. He advocated that it be required that "red herrings," brought up to date at the last minute, be delivered to all prospective buyers within 48 hours of the offering date.

Mr. McCormick was asked a question about the damages for which underwriters might be liable if they shortened prospectuses. He said that no civil suit of this sort had been won or settled unless the prospectus concerned contained "a serious, basic misstatement of fact."

He also said that he favored shortening the registration statement for high-grade bonds. If this were done, Mr. McCormick said, smaller investment firms would be able to participate in many underwritings that are now handled as private placements.

With First Boston

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Peter Linnell has joined the staff of First Boston Corp., Union Commerce building. He was formerly with National City Bank of Cleveland and Ball, Burge & Kraus.

Observations . . .

By A. WILFRED MAY

On Stock Options—And "Option-itis"

From a Correspondent

DEAR MR. MAY:

I read with interest your approving comment on stock options. You call them the "newest stimulus of controversy," but you apparently don't realize that the controversy will really hit home when dwindling dividends and heavy taxes are something more than paper prophecy. Unless the present loophole, known as Section 130 A in the Revenue Act of 1950, which permits profits realized from the resale of optioned stock to be reported as capital gains instead of income, is plugged up in the pending tax law, "option-itis" may be expected to boomerang before the next national election and on the Senators who voted for it after the Korean affair. (It was voted by the House, you will recall, pre-Korea.)

Voters' Recrimination Ahead

Corporation executives (many now participating in stock options under the thin cover of "management incentive" will have been retired) will prove to have stuck out their collective necks in time of national austerity and provide handy whipping boys as "economic royalists," with some justification, at the polls by the very voters who this year gave their proxies as blank checks to management now virtuously reporting their stockholders "overwhelmingly voted FOR" stock option plans.

Relative to "these attractive stock options corporate managements have been voting themselves," one of your colleagues, a usually conservative financial editor, recently put it: "Even if these officials figure they are so strongly intrenched that stockholders can't head them off, they should be smart enough to realize that the general public will not go along with the idea of setting up a preferred tax group when they are being called upon to dig 'til it hurts . . . the results could give us a decided push toward socialism."

"Any measure to lighten the impact of the higher surtax brackets on corporate executives," according to the study on stock options by Charles S. Lyon which appeared in the Columbia Law Review, "must be justified as an exception to the progressive income tax system. They, of course, are not the only taxpayers bearing the burden. (They could point out that considerable relief not available to them has already been extended to corporate executives by the pension trust provisions of the tax law. Also the community tax has upped the take-home pay of most corporate executives.) . . . Indeed, taxpayers whose earned income is derived from the practice of a business or profession as individuals or partners might well claim even greater need for relief from high surtaxes levied on income concentrated in the years of their peak earning capacity. . . . Conclusions as to the desirability of the legislation must depend on the validity of the premise that corporate executives require such relief far more urgently than other taxpayers."

The Revenue Act of 1950, designed in general to increase revenues and close loopholes, already has evoked criticism from responsible sources as an "unwarranted handout to a special class of taxpayers." In order to raise revenue and close loopholes the unpopular "withholding tax on dividends," which falls heavily on widows and those living on fixed incomes who can ill-afford to wait for a possible refund from the government, has been tentatively carried.

Discrimination Against Stockholders

Now stockholders' equity has been diluted by gifting billions of dollars of unissued treasury stock, ranging from 1 to 10% and hovering around 5%, as a hedge against income taxes for top management in top salary brackets at a time when dividends are expected to drop and the stockholder is not provided with any new incentive other than to divide shrinking dividends with the management. These options, as you know, are not deductible from corporation taxes and may be bought on margin in some companies by putting up as little as 2%, whereas the stockholder who wishes to buy on margin in the public marketplace must put up 75%. Under some plans the money is said to be loaned to the executives at 2% when personal loans would cost two or three times that amount, at a time when management is giving lip service to a demand for tighter credit to prevent inflation. Furthermore, in some companies the corporations are paying 2.7% to borrow money while lending it to their executives at 2%.

Continued on page 32

The Year's Progress In Electric Power

Retiring President of the Edison Electric Institute, in addressing 19th Annual Convention at Denver, finds margin of electric power production maintained, despite added load of national defense program. Points out problem of financing mobilization expansion is aided by tax allowances for accelerated amortization, but warns any further tax increases will gravely threaten progress of investor-owned utilities.

In his Presidential Address at the 19th Annual Convention of the Edison Electric Institute in Denver, Colo., on June 5th, the retiring President, L. V. Sutton, who is President of the Carolina Power & Light Company, stressed the continuous growth of electric power capacity as offsetting the heavier demands resulting from the national defense program, and he expressed the view that, despite demands of defense program, the load margin of capacity has undergone no substantial reduction.

L. V. Sutton

"The twelve months that have passed since our last convention have been most eventful," Mr. Sutton stated. "They brought the outbreak of the sanguinary and seemingly inconclusive fighting in Korea. They have seen our nation embark upon the largest peacetime effort in the long history of our republic. A heavy demand has been thrust upon the productive capacity of this nation and because this productive capacity depends upon a virtually unlimited supply of dependable electric power, an additional load has already been laid upon the shoulders of the electric power industry. Still further burdens will be placed upon us as the defense program expands and intensifies.

"We have a close measure of the added load as this has been so far disclosed. The April 1951 Semi-Annual Survey of our Electric Power Survey Committee, of which Mr. Walker Cisler of the Detroit Edison Company is Chairman, when compared with the April 1950 survey of that committee provides this measure. Events since Korea increased the demand for electricity in December 1950 by 3 million kilowatts and has increased the estimated demand for 1951 by 6½ million kilowatts; for 1952 by 9 million kilowatts and for 1953 by 12 million kilowatts. Expressed in percentages, these figures for the four years 1950 to 1953 inclusive, amount to increases of 5%, 11%, 12½% and 17%, respectively.

"Our committee reports that this coming December and in December 1952 we may expect to have about the same percentage of reserve capacity that we had in December 1950, which was 10%. This is a good working margin, as indicated by past experience. It is about half of what we expected to have before Korea, but on account of the time required to build new generating capacity, the construction program could not be increased in 1950 and 1951, and not until 1953 and 1954 could we expect to gain much increased capability.

"Two areas are well below the general average of reserves, but their position will not be essentially different from what they occupied in 1950.

"The estimated reserve margin for December 1953 would drop only slightly from the estimate of a year before, or from 18½ to 16%.

"We do not yet know what new large defense loads may have to be met, nor in what particular areas they may fall, nor do we yet know how seriously our expansion plans may be hampered by delays in obtaining materials and equipment, but we do know that any material shortages that may hold back our own expansion program will likewise retard the building plans of most of our customers and prospective customers. When the increased power demand falls on our system, we know from previous experience that we will have available increased capability with which to fill it.

"I want to point out and emphasize that these estimates which we have cited are not one man's guess. They are the results of the investigations and studies of hundreds of expert load forecasters reporting on all of the larger and most of the smaller power systems of the nation. The estimates cover 95% of the industry. Of course, changing conditions can affect the validity of the estimates, but as of April 1951, they represent the most dependable information available.

"I mentioned that the report shows an expected reserve margin for December 1953 of 16%, and I wish to comment on this figure for a moment. We have been criticized in some governmental quarters for planning too ambitiously, for not being willing to curtail our service as other industries may have to curtail theirs in the interest of national defense. The figures revealed by this report show that we are following conservative, not extravagant, plans. The dependence of all segments of American life upon electric power is such that we must exert our best endeavors to supply the increased power demands, and we have done and will continue to do that. Decisions of the Federal Government in the interest of national defense have imposed the increased demands upon the power industry. Neverthless, we realize that the needs for scarce materials and for manpower throughout the nation impose upon us a grave responsibility to use our best engineering talents, resources and business judgment to hold down our construction requirements to the bare limits of safe operating margins. Although we might be criticized for planning to increase our reserve margin between now and 1953, prudence requires that we make reasonable allowances for additional large, unforeseeable power demands for national defense.

"Still other elements of the government have been clamoring that we have been moving so conservatively in increasing generating capacity that power shortages will develop all over the nation. Neither the comprehensive and authoritative Ninth Semi-Annual Power Survey nor this speech of mine will stop persons, particularly those with axes to grind, from continuing to glimpse or smell a power shortage in the offing. But our careful and complete surveys tell us where we are and how fast we should move. They put us in a position to give authoritative advice on power supply to those who are thoughtful enough to turn to informed and responsible sources for information."

Financing Expansion

Concerning the financing of the electric industry's expansion, Mr. Sutton reported:

"Nearly four years ago, the business-managed electric light and power companies of the nation, then constituting a 12 billion dollar industry, announced through the then President of the Edison Electric Institute, Charles E. Oakes, a 5 billion dollar expansion program. This was widely recognized, particularly in financial circles, as a huge undertaking for anyone industry and a notable example of the American free enterprise system in operation. That expansion program soon became 6, then 7, then 9, then 12, and now 15 billion dollars. Part of this change in size from 5 to 15 billion dollars is due to the passing of time, because this is a growth industry in a growing country and each year adds increased construction requirements, but this program represents much more than normal growth. It has been abnormal growth. It should be recognized, too, that part of the dollar increase in the program represents inflationary factors.

"I previously remarked that events in the past 12 months had caused the nation's electric power systems to raise their load estimates for December, 1953 by 12 million kilowatts, or 17%. All this estimated load increase, approximately 10 million kilowatts, would fall on the systems of the electric utility companies.

"For certain regions and for certain companies, this required plant expansion is far above the national average. The enlargement comes about at a time when extraordinarily high taxation is draining off capital accumulation that normally would be available for investment in business expansion. It seems obvious that the power industry in general, but more particularly the companies in a number of the more rapidly growing areas, face a big financial problem. Ours is a regulated industry; the companies are held rather closely to an established rate of return and to a desired ratio between debt and equity capital. New equity capital must be raised by financing.

"Acting upon their previous war-time experience with problems of financing rapid war-time expansion, the Congress undertook to facilitate the financing of such rapid expansion by providing a tax allowance for accelerated amortization. For many companies such accelerated amortization becomes extremely important if they are to be able to finance the required plant expansion.

Taxation Picture

"Taxes now take 23 cents of every dollar of income of the electric utility companies. Last year corporate income taxes were increased from 38 to 47%. The new tax bill before Congress would increase this percent still further. The effect of taxes on our industry is so vital at this time that if you have not already done so, I suggest that you read the excellent statement made by Charles E. Oakes, present Chairman of the Special Tax Committee of EEI, before the House Ways and Means Committee on March 13. I recommend, also that you read carefully the statement on the tax bill presented by John H. Hessey, representing the National Association of Railroad and Utility Commissioners, because the viewpoint expressed in his testimony can be extremely important to utility management. I also urge, if you have not done so, that you read the presentations concerning the Excess Profits Tax by Harold Quinton and Justin R. Whiting in hearings before the Senate and House Committees on Nov. 22 and Dec. 7, 1950, respectively.

"This increase in Federal taxation continues to grow in relative importance, even taking its place ahead of other problems that press upon us so relentlessly. I wish to quote from one statement by Mr. Oakes in his presentation before the House Ways and Means Committee:

"'We have made a careful study of the operations of the public bodies owning and operating electric utility businesses, and find that under present conditions full tax equality with the electric utility companies would bring in $88,500,000 of new tax revenue to the Federal Government. The amount will be much larger in the years to come, as Public Power has a gigantic construction program. . . .

"'The program—in service, under construction, authorized and proposed — now totals 54,470,000 kilowatts of Federal and Federally financed electric power, and is 6½ times the amount now in service. . . . I quote you these figures to show you the great scope of the tax-free power business of the future. . . .

"'The exemption from Federal taxes possessed by public bodies engaged in the power business and enjoyed by their customers should be ended by the bill which this committee will prepare.

"'(1) Because it would bring in badly needed tax revenues from a segment of our people which is not paying its full share of the cost of the Federal Government.

"'(2) Because the time to take the step is now. As Public Power grows in size, it will be increasingly difficult to make the change.'

"The electric utility companies, and in the last analysis, 80% of the American people who are their customers, are one of the most heavily taxed elements in the nation's entire economy. Further tax increases will gravely threaten their progress. Tax discrimination against one community in favor of another by a Federal Government dedicated to equal justice for all is unconscionable. It, therefore, devolves upon every one of us to be sure that our employees, our stockholders, and our customers continue to be fully informed on these facts so that in the democratic process the unfairness will be corrected and the threat to our sound growth and development be removed. If we do not point out this danger and this unfairness, who is going to do it for us? It is not a one-man job; it is an educational task for every one of us."

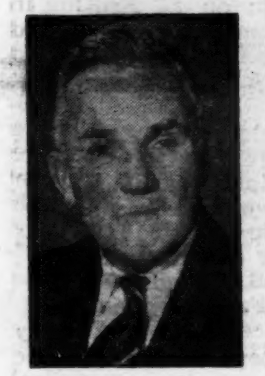
H. B. Boger With Paine, Webber Co.

H. Batterson Boger, who since 1938 has directed Boger, Son & Co., Philadelphia spot cotton firm has joined Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange, it was announced by Lloyd W. Mason, managing partner. Mr. Boger will work on the development of the firm's cotton futures business. He will make his headquarters in Paine, Webber, Jackson & Curtis' New York office, 25 Broad Street.

From Washington Ahead of the News

By CARLISLE BARGERON

It is not just a coincidence, I am sure, that those members of Congress about whom we read most favorably in the Eastern press and who are receiving a build-up at the hands of the majority of the Washington columnists and radio commentators, are Leftists or "liberals" if you prefer, who came by their election largely through the support of the CIO, and are, therefore, unmistakably beholden to it. They are propagandized as the "newer" and "younger" minds, the independents, those of the "arresting" thoughts and "bold" thoughts and "courageous" thoughts in a troubled world, those who would rather be right than hold public office, those whose minds are not moulded by the clamor of the crowd or by partisan politics. Wonderful persons, all!



Carlisle Bargeron

First to come to my mind, in this light, is Senator Tobey. The Senator has recently become a household word because of his antics before the television as a member of the Kefauver committee. There would be a much better ring of sincerity to his diatribes against the hapless gamblers and racketeers who incurred his indignation, his weeping and his prayers, if he were not a stooge of the CIO. In his last campaign, the respectable people of New Hampshire were tying a political noose around his neck until thousands of CIO'ers left the Democratic primary and came over into the Republican contest to prevent his defeat.

There is room for a difference of opinion, I suppose, but I can't understand the man who professes alarm about racketeers in this country and at the same time plays ball, is beholden to, the CIO. It is not a question of being "for" the workingman. The CIO, by and large, is essentially a political movement with which strong armed, lesser educated men together with cynical intellectuals, are using millions of human beings as pawns. If any intelligent man has any doubt about Walter Reuther he should subscribe to "Ammunition," the official publication of the United Automobile Workers, which is Reuther's vehicle. It is as packed with spleen and hate against the employer and the "rich" as the "Daily Worker" could possibly be. The "educational" services upon which the UAW spends a lot of money are in the same vein. A recent issue of "Ammunition" was most revealing. It described the organization's convention proceedings at which a dues increase was voted notwithstanding it was apparent most of the delegates had come to the convention with a "mandate" against any increase.

To hell with the rank and file, cried Reuther, bludgeoning the delegates into line, he had to have the "tools," the rank and file didn't know what it wanted, he would take the responsibility. By way of showing what a strong man he was, he told how he went into Flint, Mich., at the time of the sit-down strikes. There were only five men in the plant who wanted to join the union, he said frankly, but "By God," he organized it.

Senator Kefauver, himself, is beholden to this crowd. They, the CIO, practically managed his senatorial campaign in 1948 in Tennessee, contributed liberally with money. It may be possible but it is difficult for me to believe, that associating with this crowd, as he does, he is terribly excited about the menace of bookmakers. Yet if you are to believe the pack of Washington columnists and radio commentators, he is headed for the Vice-Presidency or the Presidency, if Truman shouldn't run. As to the second place on the ticket, the Presidential nominee decides that. There is no "race" or contest for it. As winter book odds I'll give 100 to 1 against him for second place, 1,000 to 1 against him for first place.

The outstanding thinker of the Senate, however, we are told almost daily, is Douglas of Illinois. Why, the first place nomination may be forced upon him regardless of whether Truman runs or not. Because there is a man who approaches politics with a scholarly detachment of what is good for the country. He is an economist! Oh, for gosh sakes and regardless of where the chips may fall, he applies to the problems of government, the calm, appraising eye of the scientist. So much so, that he wishes his admirers would not be talking of him for the Presidency because he wants both parties to nominate Eisenhower and thus give unity to the country. Only a really deep thinker, an unusually well educated man could come up with something like that.

But with all of his high level and hifalutin' thinking he takes pains not to offend the CIO. A funny thing about the publicity play he gets too, is that in 1939, he and Senator Taft engaged in a series of radio debates on the New Deal. A subsequent poll by the sponsoring radio chain showed he was thoroughly trounced.

What probably gives me the greatest kick, though, is the publicity about Senator Wayne Morse wearing no man's collar. Apparently he knows everything, having been a college professor, and no one assumes a loftier attitude over his colleagues.

The Senator began building his Senatorial fences during World War II as a member of the War Labor Board by catering to organized labor and he has catered to them ever since. He directed his decisions on the board toward his election to the Senate; did it quite openly, there could be no doubt about his purpose.

Joins Francis I. du Pont

(Special to The Financial Chronicle)

CHICAGO, Ill.—Milton J. Benzion has become associated with Francis I. du Pont & Co., 208 South La Salle Street. He was formerly with Bear, Stearns & Co.

With Cohu & Co.

(Special to The Financial Chronicle)

NEW HAVEN, Conn. — Carl E. Eyman has become associated with Cohu & Co. He was formerly connected with Norman F. Dacey & Associates.

Exchange Pres. to Attend Golf Tourney

George Keith Funston, newly appointed President of the New York Stock Exchange, will attend the 52nd Annual Tournament of the New York Stock Exchange Golf Association on Tuesday, June 26. He will come to the tournament, which will be held at the Winged Foot Golf Club in Mamaroneck, N. Y., late in the afternoon. About 500 members of the Exchange are expected to attend the outing, it was announced by Henry Picoli, Chairman of the Association.

G. Keith Funston

Mr. Funston has not yet assumed his duties as President. He is expected to take office not later than Jan. 1, 1952, and possibly as early as Oct. 1.

White, Weld & Co. to Admit Two Partners

On July 1 White, Weld & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, will admit Harmon L. Remmel and John W. Valentine to partnership. Mr. Valentine will make his headquarters at the firm's Boston office, 111 Devonshire Street.

Jean Cattier, a limited partner in the firm, on the same date will become a general partner.

Joins Taylor Staff

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—William H. Price has been added to the staff of Taylor and Company, 170 South Beverly Drive.

Bankers Underwrite Carrier Corp. Offering

The corporation is offering to its holders of common stock of record at 3 p.m. (EDST) on June 12, 1951, rights to subscribe at \$19.50 per share to 216,504 additional shares of common stock (par \$10), on the basis of one-third of one share for each share then held of record. The subscription warrants evidencing rights to subscribe to these shares will expire at 3 p.m. (EDST) on June 26. The offering is being underwritten by a group headed by Harriman Ripley & Co. Inc. and Hemphill, Noyes, Graham, Parsons & Co.

The corporation is presently planning to construct a new building in Dewitt, N. Y., together with the small amount of equipment required, is estimated to cost approximately \$1,200,000. Arrangements are being made for a loan of \$1,000,000 from Metropolitan Life Insurance Co., the net proceeds of which, together with the net proceeds from the sale of the common stock, will be placed in the corporation's general funds. The corporation expects to apply approximately \$1,200,000 of such proceeds to the constructing and equipping of such new building, \$3,375,000 to the payment of short-term borrowings and the balance to other general corporate purposes.

F. C. Masterson Co. Admits W. E. Griffin

Frank C. Masterson & Co., 64 Wall Street, New York City, members of the New York Curb Exchange, have announced that William Edward Griffin, member of the Curb, has been admitted to general partnership in their firm.

COMING EVENTS

In Investment Field

June 15, 1951 (Milwaukee, Wis.)
Milwaukee Bond Club summer party at Oconomowoc Lake and Country Club.

June 15, 1951 (New York City)
Municipal Bond Club of New York annual meeting at Sleepy Hollow Country Club.

June 15, 1951 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Summer Outing and Dinner at the Manufacturers Golf and Country Club, Oreland, Pa.

June 15, 1951 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia buffet supper party at the Mirage Room of the Barclay Hotel.

June 18-23, 1951 (Philadelphia, Pa.)
Investment Bankers Association of American Investment Banking Seminar at Wharton School of Finance and Commerce, University of Pennsylvania.

June 22-24, 1951 (Los Ang., Calif.)
Security Traders Association of Los Angeles annual spring party at Lake Arrowhead Lodge.

June 22-24, 1951 (Minneapolis, Minn.)
Twin City Security Traders Association Annual Outing ("Operation Fishbite") at Gull Lake.

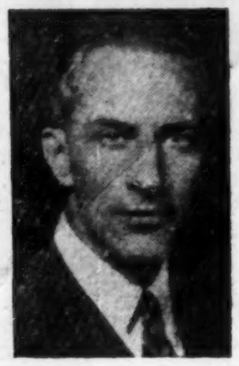
June 22, 1951 (New York City)
New York Security Dealers Association Annual Outing at the Hempstead Golf Club, Hempstead, Long Island.

June 26, 1951 (Detroit, Mich.)
Securities Traders Association of Detroit and Michigan 16th annual summer outing at Plum Hollow Golf Club.

N. Y. Municipal Forum Holds Conference On Forthcoming Public Housing Financing


John Taylor Egan


Reginald M. Schmidt


William G. Laemmel

Meeting at Hotel Commodore hears addresses and discussions on marketing of forthcoming new public housing financing. Speakers included John Taylor Egan, R. M. Schmidt and Wm. G. Laemmel.

The Municipal Forum of New York sponsored a National Conference on Public Housing Finance on June 13 at the Hotel Commodore in New York City. The program comprised a variety of papers relating to public housing, but the main interest was in the preparations for the underwriting and distribution of the forthcoming issues of Local Housing Authority bonds, authorized under the 1949 amendment of the United States Housing Act of 1937. According to a statement of John Taylor Egan, Commissioner of Public Housing Administration, the initial flotation will consist of more than $160 million of these housing bonds, in amounts ranging from $161,000 to $15,204,000. They will be advertised for sale on July 3 by 58 local Housing Authorities in 20 States. Bids will be opened simultaneously July 17, 1951, at 3 p.m. (EDT), at the office of each local housing authority.

Proceeds of the sale will be used by the authorities to refund presently outstanding privately financed temporary notes, advances from the U. S. Government and to provide additional money to complete construction of about 100 low-rent housing projects. The bonds will mature in 38 to 40 years. The schedule of principal maturities will be based on the bid interest rate. Bonds will be payable at a bank in the city in which the local authority is situated and an alternate paying agent in New York.

Housing Authorities are local public bodies created pursuant to State Laws and are authorized to construct and operate low-rent housing projects with the aid of a Federal subsidy under the supervision of the Public Housing Administration, a constituent of the Housing and Home Finance Agency. Bonds which the Local Housing Authorities issue are secured by a pledge of the annual contribution which the Public Housing Administration unconditionally contracts to pay to the fiscal agent of the Local Housing Authority. The faith of the United States Government is solemnly pledged to the payment of this annual contribution which is sufficient to pay annual total principal and interest charges on the bonds.

The Housing Act of 1949 program, under which the present offering is made, provides for Federal aid in the construction of up to 810,000 low-rent public housing units over a six-year period. Although the Federal Government may loan up to 90% of the development cost of a project, under the terms of the Act, the actual financial aid extended by the government is principally restricted to the payments of annual contributions pledged as security for the local Housing Authority bonds, proceeds of which finance the projects.

New York Syndicates Ready With Bids

According to R. M. Schmidt, Vice-President of Blyth & Co., Inc., New York City, who spoke at the Forum, a syndicate has been formed to consider bidding for some of the bonds.

The managers of this account will be Blyth & Co.; Phelps, Fenn & Co.; Lehman Brothers; First Boston Corp.; Goldman, Sachs & Co.; Harriman Ripley & Co.; Smith, Barney & Co.; Shields & Co. and R. W. Pressprich & Co.

Wm. G. Laemmel, Vice-President of the Chemical Bank & Trust Co., New York City, also addressed the conference and stated that a syndicate headed by the Chemical Bank had been formed to compete for the bond issues. This group also comprises banks and bond houses from virtually all sections of the nation.

It is expected that the volume of Local Housing Authority financing over a period of years will be considerable, but with proper teamwork between the Public Housing Administration, Local Housing Authorities and investment security dealers there is no concern about the market being able to absorb these bonds without dislocating interest rates or the market on general obligation bonds of states and political subdivisions.

Cudahy Elected by Am. Nat'l of Chicago

CHICAGO, Ill. — William B. Cudahy has been elected assistant trust officer of the American National Bank and Trust Company of Chicago, it was announced by Lawrence F. Stern, President. He will be associated with the bank's trust investment department.

Mr. Cudahy is a native Chicagoan and is a graduate both of Harvard University and Northwestern University Law School. He served with the United States Coast Guard from January, 1942, until October, 1945, when he was discharged with the rank of Lieutenant. Since that time he has devoted himself to the field of investment analysis.

E. A. Fricke Opens

PAPILLION, Neb.—E. A. Fricke is engaging in a securities business.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Aluminum Industry—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Electric Utilities—Annual study analyzing data on 86 companies including return on rate base, income and excess profits tax per share, etc.—available to institutional and bank investors—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Graphic Stocks—January issue contains large, clear reproductions of 1,001 charts complete with dividend records for the full year of 1950, showing monthly highs, lows, earnings, capitalizations, volume on virtually every active stock on the New York Stock and Curb Exchanges—single copy $10.00; yearly (6 revised issues) $50.00—special offer of three editions of Graphic Stocks, 1924 through 1935; 1936 through 1947 and up-to-date current edition, all for $25.00—F. W. Stephens, 15 William Street, New York 5, N. Y.

How to Get Full Value from Your Annual Report—Special booklet discussing new techniques—Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York 6, N. Y. Also available is a booklet on **How to Get Greater Value From Dividend Advertising.**

"Information Please!"—Brochure explaining about put-and-call options—Thomas, Haab & Botts, 50 Broadway, New York 4, New York.

The Inside Story of Outside Help—Booklet describing the services of Ebasco Services Incorporated—Ebasco Services, Inc., Dept. U, 2 Rector Street, New York 6, N. Y.

Machine Tool & Machinery Group—List of 15 issues that appear attractive—Bache & Co., 36 Wall Street, New York 5, N. Y.

New York City Bank Stocks—Special Report—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the 30 listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an 11-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Puts & Calls—Booklet—Filer, Schmidt & Co., 30 Pine Street, New York 5, N. Y.

Railroad Income Bonds—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Study in Price Movements—Chart and analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Television Set Manufacturers—Discussion of current situation—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y. Also available in their current issue of "Market and Business" are brief data on **U. S. Foil Co., Inc.**, and **Mission Corp.**

Utility Stock Analyzer—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

* * *

Aerovox Corp.—Analysis—Raymond & Co., 148 State Street, Boston 9, Massachusetts.

Anheuser-Busch, Inc.—Bulletin—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, Chicago 4, Ill.

Black Hills Power & Light Co.—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a tabulation of **Public Utility Common Stocks.**

California Pacific Utilities Co.—Research report—First California Co., 300 Montgomery Street, San Francisco 20, Calif.

Capital Airlines—Analysis—Argus Research Corp., 61 Broadway, New York 6, N. Y.

Capital Airlines, Inc.—Special review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Central Public Utility—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Central Public Utility Corp., Inc.—Bulletin—F. S. Yantis & Co., 135 South La Salle Street, Chicago 3, Ill.

Central Steel & Wire Co.—Analysis—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Central Vermont Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Century Natural Gas & Oil Corp.—Circular—Greenfield & Co., Inc., 40 Exchange Place, New York 5, N. Y.

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The Coming Growth Of Electric Power

By J. W. McAFEE*
President, Union Electric Company of Missouri

Asserting electric power is growth industry despite fact of its phenomenal accomplishments, utility executive predicts a doubling of capacity in less than 15 years, and foresees no ultimate horizon of expansion. Forecasts almost unlimited expansion in both residential and industrial uses of electric power, and expresses optimism on capacity to supply consumers' needs despite financing problems. Sees more economy in greater power interconnections, and advocates more attention be given by utility managers to financial responsibility and further improvement in public relations. Predicts coming of atomic power will be taken in full stride.

Looking at tomorrow is a pastime which has fascinated man throughout his history. There are many reasons for its popularity, but the one which has impressed me most is the opiate effect of dreaming and planning and predicting for the future. No matter how painful today may be, there is always a brighter tomorrow. And even if today is a good day, we need and enjoy the assurance that the good will continue.

J. W. McAfee

I mention this because we cannot talk about tomorrow in our industry without reference to the nation and the world in which we exist. And I want to recognize, for our particular nation, at this particular moment in world affairs, that the opiate of discussing the future may be losing some of its power to satisfy. When we think of tomorrow in terms of international events, the alternatives which have been predicted are not likely to give many of us a sense of well-being and happiness.

I mention it, too, because I am an inherent optimist, and my remarks on this occasion will be generally optimistic. Yet, I do not want you to leave with the feeling that the imminence of world catastrophe has been ignored. The predictions and the problems for the future of our industry which I am about to discuss—as, indeed, have all the predictions you have listened to and read about in the past few years—do not consider the effects of a total World War III or any other catastrophe of similar proportions. They assume a continuance of our present mobilized economy.

In my judgment, this is not a false assumption based on false optimism, or on a kind of opium thinking. We have an obligation, a particularly powerful obligation, in our business, to plan for tomorrow and to prepare now for the problems we may face. If we are to make full preparation for a full contribution, we should not formulate our predictions and our planning in an atmosphere of hysteria or defeatism or even cynicism. In my judgment, our very optimism generates a positive approach to affairs that is more likely to bring positive results. Even should history prove that the cards are stacked against us—and we had the all-seeing ability to realize that now — it would still hold true that confidence and positive thinking today is our best preparation for the events of tomorrow.

In this industry, certainly, past history has proved the value of such a philosophy. There are many of you who were associated with the electric utility business 30 years ago, at the close of the first World War. I wonder how many were confident, then, that the electric load of this nation would double in the 20's, increase nearly 60% in the depression 30's and double again in the 40's. It is truly an amazing record. And it is a record which could not have been achieved without optimistic thinking in the building for each period of growth.

Doubled Capacity by 1965

Today, we are talking in terms of nearly doubling the 1950 load by 1960. By 1965, if our analysis of the future is correct, America's peak power load will be in excess of 165 million kilowatts.

We are a growth industry. We have achieved maturity, by modern industrial standards, without ever having lost our growing pains . . . and it does not look as though we are going to be without them for some time to come.

When will it all stop? What, in other words, is the maximum market potential for our product? I have never heard or seen those questions answered adequately without suddenly freezing, for the purpose of developing such an analysis, all the factors which determine our growth. The result, then, is of very little value. It must assume, for example, a certain level of appliance efficiency and of customer need and desire. But we know that the efficiency of that appliance may change, thus lowering its individual demand on our systems but increasing its total market. We know, too, that new appliances, new uses, new developments will come along to again alter the horizon of maximum market potential. Our market potential is one thing today; as the factors change, it becomes another and a greater thing tomorrow.

Under such conditions, it seems to me entirely logical that we ignore the ultimate horizon and concentrate on the possibilities immediately ahead, in the next 10 to 15 years. Taking into account all the factors we are presently able to measure and predict, our industry generally has reached the conclusion that by 1965 we will be producing nearly 750 billion kilowatthours, selling nearly 650 billion, with a total plant capacity in excess of 195 million kilowatts, handling peak loads of 165 to 167 million kilowatts. If that is our immediate potential, and it seems a reasonable one, then what are some of the specific factors and directions and problems with which we should be concerned in achieving and supplying it.

We are assuming, for example, substantial increases in load resulting from new uses of electricity, such as house heating, the heat pump, television, high-frequency heating, and others. Can we over-sell in any one category? Is there a point beyond which the use of an individual appliance or piece of equipment works to the detriment of the customer, or the industry, or both?

Space heating is a case in point. We have felt reasonably certain that the invasion of electricity into the field of home heating depends largely on the continued development of the heat pump. In cold winter climates, at least, we have felt there were elements of danger in actively selling space heating because of the cost factor for the customer. We also have had fears for the industry, for a wide application of this use brings visions of drastic effects on load factor, on transmission and distribution systems, on the entire concept of residential service. Now we are witnessing, in some areas, a customer acceptance that is startling. There are more than 200 completely space-heated homes in our territory . . . and, despite an unusually rigorous winter, our survey of these customers reveals that more than three-fourths of them are well-satisfied with their installations. The factor of cost apparently has been outweighed by comfort, safety, and cleanliness. If such a trend continues, the problems of space heating may be at the industry's doorstep; more than that, they may be crossing the threshold.

Yet, I do not share the fears that this may not be good for the industry. I firmly believe that if any use is in demand by our customers, we will be ingenious enough to supply it . . . regardless of its requirements in financing, in building, even to the extent of creating a demand charge for home electricity. We will be ingenious enough to supply it under conditions that will extract the maximum possible benefit for both the customer and ourselves.

Residential Growth

Although it is residential growth that holds the most value for us, it is in the field of industrial sales that we can make our most significant contribution to ease the current strains on our national economy. You know the history of power for industrial advancement as well as I. Fifty years ago, the average American workman used an estimated one-tenth of a kilowatthour of electricity per man-hour. At the end of World War II, this had increased to nearly 5 kilowatthours per man-hour, and today it is estimated that the average workman in our country is using at least 6.75 kilowatthours per man-hour. This has meant—in terms of the capacity of the individual worker to produce—that American industry had added the equivalent of 1,500,000 production workers over the peak war years.

The mechanization and increased utilization of electricity in industry is certain to continue. Indeed, it is an economic necessity for American industry. For most companies, under the pressures of high wages, inflated material costs and high product demand, it is mechanize or die.

Moreover, since a continued increase in production per unit of human effort is the only path to higher standards of living . . . and, in these times, the only

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*An address by Mr. McAfee before the Nineteenth Annual Convention of the Edison Electric Institute, Denver, Colo., June 7, 1951.

Has Inflation Spiral Ended?

By EMERSON P. SCHMIDT*
Director of Economic Research
Chamber of Commerce of the United States

Dr. Schmidt, commenting on public interest in inflation and spread of knowledge of its causes, says it is becoming more obvious that a balanced budget and tight credit controls can prevent inflation. Holds prospect of early all-out war with Russia is receding, thus spreading rearmament program over a longer period. Concludes, however, inflation problem, though less acute, is not ended.

Currently there is more public interest in inflation than there is in the defense program. Webster defines inflation as a "disproportionate and relatively sharp and sudden increase in the quantity of money or credit or both, relative to the amount of goods available for purchase. Inflation always produces a rise in the price level." In popular language and even in some policy-making circles, Webster's definition has been telescoped together to read "Inflation is a rise in the price level."

Dr. E. P. Schmidt

This change in meaning has slipped into the language almost unnoticed, with some serious effects. A symptom has taken the place of the disease. And it is not surprising to find some groups advocating treatment of the symptom (price increases) by direct means (price controls), in a manner somewhat akin to immersing a fevered patient in icewater and letting it go at that.

*An address by Dr. Schmidt at the 21st National Business Conference, Harvard University, June 9, 1951.

Economic Literacy Rising

In spite of this popular confusion most responsible groups and persons are recognizing more and more that inflation is primarily a monetary phenomenon and that therefore the basic treatment must address itself to money and its use.

We have come a long way in our understanding since the loose finance of the 1930s and of the period of World War II with reference to boom-bust, inflation and price controls. During World War II there was no popular support and little support from responsible groups and individuals for a strict pay-as-we-go war financing policy. Today, almost without exception, pay-as-we-go is at least a part of everybody's "defense mobilization program." This represents gratifying progress in economic literacy.

Korean Aggression Builds Boom on Boom

Most economists, many bankers and others have been concerned over the "loose financial way of life" practiced by the Administration and particularly the United States Treasury in recent years. The North Korean aggression caught us in the midst of upward price pressures. Wholesale prices had been rising since the end of 1949. Consumer prices started rising in March, 1950. Thus the Korean aggression, followed by a stampede to get wage increases and anticipatory buying on the part of housewives and businessmen, built a boom upon an expanding economy.

From June to December, 1950, commercial bank loans increased from $44.8 billion to nearly $53 billion, a net addition of $8 billion in about half a year. At an annual rate this was an increase of 35%. Consumer credit during the same period rose from about $17.7 billion to over $20 billion—nearly 13.5%. Mortgage real estate credit continued to expand at a rapid rate. In the same period demand deposits, our chief form of money, increased from about $85 billion to over $93.2 billion. During this period the total money supply (currency plus demand deposits) jumped upward from about $110 billion to over $118 billion, which is some $4 billion above the previous postwar peak. Furthermore, the rate of use of the money supply (velocity of money turnover) had been rising steadily and is continuing.

In the face of this expansion of the money supply, it is not surprising that the power of money-spending has been reflected in a rise of wholesale prices from 157 (1926=100) in June, 1950, to over 183 in early 1951, or by almost 16%. Meantime, retail or consumer prices have risen only from 170 in June (1935-39=100) to about 185 in April, 1951.

While these price increases are not solely attributable to the increase in credit and the money supply, there is a correspondence in direction and size of the movements, so that we are justified in recognizing a causal connection. Wage increases, rising costs of replacing inventories, higher prices for replacement and expansion of capital equipment, and strong markets for goods—all these work together to encourage bank loan expansion.

But if banks had not or could not have expanded loans and the money supply, all of these upward pressures would have been substantially reduced.

In spite of this picture, the Secretary of the Treasury, in a speech as recently as January of this year, reaffirmed what in effect must be a "loose" monetary policy.

Academic and industrial economists and, much to their credit, bankers and others turned the heat on the United States Treasury.

Effectiveness of Credit Controls

Perhaps more quickly than we had a right to expect, the United States Treasury and the Federal Reserve System announced "an accord" on March 3, which is likely to go down in recent history as the most important monetary decision of our time.[1]

This decision led to withdrawal of Federal Reserve support of a fixed interest rate pattern, a prompt increase in interest rates, cutting off some marginal borrowing in the ensuing months. But far more important it put to an end the rapid conversion of Federal debt into bank credit.

It restored, it is to be hoped, the Federal Reserve System's powers to control bank reserves, which is the key to the control of credit.

Quickly, insurance companies and many other financial institutions found their lending plans overcommitted. New commitments were slowed down. They no longer could dump their government bonds on the market without a loss.

Meantime, of course, the control of instalment and real estate credit, provided for by the Defense Production Act of 1950, was beginning to show its effects. New housing starts in April, 1951, were only 88,000 as against 133,000 in April, 1950. Durable goods began to pile up on the shelves. Inventories of new and used cars began to mount. By May, 1951, some automobile manufacturers closed down for "readjustments."

The revolutionary character of the monetary experience through which we have passed has not yet fully sunk into the public consciousness. Money, credit, interest rates and bank reserves are today being recognized by close students as sensitive instruments which are capable of governing the level of economic activity in a way that was not recognized by the congress when it provided for wage and price controls in the DPA.

It is becoming progressively more obvious that a balanced budget and tight credit controls can indeed prevent inflation. The politicians and their Washington agents will continue for a time to parrot the phrase "We need both the indirect monetary and fiscal measures as well as the direct controls over wages and prices." If we continue a tough credit policy and finance this war as we go, the politicians will look more and more foolish as time goes on if they continue to say the same thing.

To be sure, defense expenditure has built up more slowly than anticipated. Tax revenues have been better than was expected—due, however, to a large degree to the credit inflation itself—which is a poor way to keep a budget in balance. While there is talk of military expenditures reaching a $50 billion rate by year's end, there is reason to believe that this goal will not be attained. International tensions, in spite of surface phenomena, are declining. The prospect of an early all-out war with the USSR is receding and many responsible people believe that it will not occur unless we provoke it. The $8.5 billion foreign aid program requested by the Administration will not be fully voted. The labor leaders' strike against the government after the Wage Stabilization Board announced its 10% catching-up formula, as well as subsequent virtual refusal of the union representatives to make any sacrifice in this war effort by shouldering more taxes, etc., or foregoing any shrinkage in their living standards, is causing the Administration to spread the rearmament program over a longer period of time which means a reduced "peaking up" of the defense expenditures. In this way the necessary shrinkage of the civilian economy is delayed and reduced.

The anticipatory buying since Korea, the balanced budget and the tighter credit controls will reduce the inflationary pressures below what was anticipated some months ago. To keep the budget balanced means a further tax increase of $5 billion, or more. The balance of 1951 is likely to be a period of less than feverish expansion in most sectors of the economy. Steel, copper and probably aluminum will remain tight or perhaps get even tighter. Under present Washington plans a number of nonferrous metals and some types of steel will be allocated 100% by year's end. Residential construction will continue to taper off. Partly because of credit controls and partly because of anticipatory buying and hoarding as well as scarcity of raw materials, durable goods production and buying are likely to remain at modest levels. Plant and equipment expansion, however, will go forward in large volume. Unfilled orders in the hands of manufacturers are very large, $51 billion at the end of March, as against $22 billion a year earlier.

A few months ago it was anticipated in Washington that wage and salary income would stand by year's end at $20 to $25 billion above the figure of December, 1950. Now it is generally believed that the increase will be considerably less. Commodity prices have shown a downtrend. One spot commodity index declined from 221 at the beginning of April to 210 by June 4. The futures index in the same period declined from 208 to 189.

Thus, while the picture is mixed, there is some reason to believe that inflationary pressures will not be as strong for the balance of the year as a year ago. Yet, we would be on dangerous ground if we projected the current lull into the future.

Profit Prospects

In the months ahead, net profits are expected to continue to decline to pre-Korea levels or lower. Stiff price controls and rollbacks and flexible wage "stabilization" are intensifying the squeeze. Contract renegotiation and cutbacks in civilian production will take, for many companies, another nick out of profits. The two corporate tax increases of last year, plus the excess profits tax, applied to only part of the year's earnings.

This year these tax increases will apply to the full year and another general corporate tax increase will be on the books before the autumn frosts. Slower than previously anticipated military expenditures and tight credit conditions will make the economy less buoyant. All these forces will make for reduced profits.

Defense Burden Painful With or Without Inflation

In the short space of a few years we cannot transform our economy, to double or triple a relatively modest defense budget, without wrenching or without pain. The events since March of this year have demonstrated, however, that we do have it within our power to make this change without substantial inflation. We had our spree in the first eight months after Korea, because we lacked the wisdom or the courage to do what was indicated as necessary on the monetary front. We have now snubbed the inflationary pressures largely by technical procedures and adjustments. Price and wage controls have had little to do with this change.

In the period ahead the pain of avoiding inflation, while the defense program expands, may be even more trying and testing than the pain of inflation. Were it not for the large number of people living on fixed and seriously lagging incomes, it would be easier for a democracy to finance such a program by permitting some inflation than it is to prevent it.

Actually, we are likely to do a little better job in the period ahead of avoiding price increases than we did in the first eight months of the Korean war, but we are not likely to avoid a partial repetition of what we have experienced.

[1] For a more comprehensive analysis of the monetary basis of, and remedies for, inflation, see *Economic Policies for National Defense*, Chamber of Commerce of the United States of America, March 1951.

Keeping the Power Program On Schedule

By C. B. McMANUS*
Administrator, Defense Electric Power Administration

Mr. McManus reviews expansion program of electric power and problems involved in supplying power facilities when and where needed. Discusses materials allotments and other procedures for accomplishing this purpose, and says efforts will be made to avoid controls and rationing in electric power industry. Cites increasing demands for use of electric power.

Today I want to talk with you about the Defense Electric Power Administration because we will need the support of every one of you to do our job effectively.

C. B. McManus

I believe that DEPA will play an increasingly important role in your business life over the next year because control over critical materials will in my opinion become tighter and tighter.

We have avoided all unnecessary controls to date because we do not believe in controls just for the sake of controlling. We have tried to keep paper work at an absolute minimum, which is no small job.

Basically our job in DEPA is to analyze and to appraise the power expansion program of the country and to determine whether power will be available when and where it is needed. Having analyzed and appraised the power program, we then endeavor to secure sufficient materials so that the program can be completed on time. It is our further responsibility to provide the necessary incentives so that the program will not be held up by the risks involved in the expansion.

In April, 1950 before Korea, approximately 17 million kilowatts of additional generating capacity was scheduled for the three years 1950, '51 and '52. By using this pre-Korean three-year program as a base, we can get an approximation of the total impact of the defense program.

In April, 1951 approximately 27 million kilowatts was scheduled for the three years 1951, '52 and '53. The expansion was 17 million kilowatts before Korea and 27 million kilowatts after Korea. This means that approximately 10 million kilowatts of additional generating capacity has been scheduled in 1951, '52 and '53 over and above normal expansion as a result of the defense program.

In the three years 1948, '49 and '50 approximately 17½ million kilowatts of additional generating capacity was added in this country by all groups contributing to the public supply. The 27 million kilowatts for 1951, '52 and '53 is a 40% increase over the approximately 68 million kilowatts installed at the end of 1950.

We now expect to have by the end of 1951 the same total load in this country that a year ago we expected to have by 1953. And by 1953, we expect to have at least 12 million kilowatts more than we expected in our planning before Korea.

Ten years ago, before World War II began, we had reserve margins of approximately 20%. By 1950, the reserve had shrunk to 6%.

According to the records which we have, the electric utilities never spent as much as a billion dollars a year on expansion until 1947, but in the years 1948, '49 and '50, total construction expenditures averaged more than $2½ billion a year. When the war in Korea started and the nation demanded more power, those expenditures really paid off. The program which is now planned must be carried through with equal vigor and determination.

Regional Problems of Power Supply

We appraise the power supply situation on a regional basis. At the present time, we are concerned about the States of Washington and Oregon and about the Southeast Region.

The power supply situation in Washington and Oregon is critical and will remain so at least through 1953.

Recognizing the seriousness of this situation, DEPA has recommended 631,000 kilowatts of additional capacity for these two States, to the Federal Power Commission for licensing. These projects have been licensed and are under construction. We have taken steps to advance the construction of the two other projects totaling 330,000 kilowatts. DEPA has recommended proceeding immediately with the construction of a large capacity tie between California and Oregon. We have recommended two other hydro electric projects totaling 580,000 kilowatts. These projects could be constructed and put into operation during 1953, but unfortunately, they involve major conflicts with the fishing industry and have not as yet been approved.

In the Southeast Region the new defense loads planned are greater than in any other region. At the end of 1951, even with power being brought in from the north, the situation will be somewhat critical particularly if we have poor water conditions. If present construction schedules can be maintained, the expectation is that enough additional capacity will be added to make this region self-sufficient from the middle of 1952 through 1953.

The information which we have at the present time on the other power regions of this country indicates that reserves will be available through 1953 of an amount sufficient to prevent a critical power supply situation provided new capacity can be added as scheduled.

The Greatest Concern in Next Few Years

Keeping the power program on schedule should be, and I think will be, the greatest concern for all of us over the next few years. The greatest single factor will be the availability of materials.

The allotments of aluminum, copper and steel have recently been made for the third quarter of this year. The Engine and Turbine Division and the Electrical Division of NPA receive the allotments for the manufacturers of major power equipment. DEPA receives the allotments for the direct needs of electric utilities. The third quarter allotments are substantially below the quantities requested by both the NPA Divisions and DEPA.

Three of the manufacturers of major power equipment have told us what will happen as a result of the sharp cuts in materials for the third quarter.

Concerning turbines, the lost production is estimated to be 400,000 kilowatts for one company and 300,000 kilowatts for another. The third manufacturer will be short 64% on materials.

On transformers, shipments by one company will be delayed from one to 14 months starting in August, 1951. Another will have to operate at half capacity and the third will be short 42% on materials.

For switchgear, delays in deliveries for one company will start in July of this year and will range from two to 12 months. Delays for another company will start in August and will be from one to 13 months. The third manufacturer reports a deficiency of 28% in materials requested for switchgear.

The delays in switchgear and transformers caused by these material cuts will interfere with scheduled "start-up" dates for some generators to be delivered in the months immediately ahead.

Providing materials for the manufacturers of major power equipment is the job of the Engine and Turbine Division and the Electrical Division of NPA, but it is DEPA's job to document the entire power program so that they can get the materials they need.

Both DEPA and the two divisions in NPA are insisting that the power program must be maintained on schedule; that to let it slip would interfere with essential defense production. The materials needed for scheduled production of equipment in the third quarter of 1951 must somehow be obtained.

For the direct requirements of electric utilities, DEPA has received 25 million pounds of aluminum for the third quarter, compared with 49 million pounds for the second quarter. Our copper allotment is 75 million pounds for the third quarter, compared with 92 million pounds in the second quarter. Our steel allotment is 90,000 tons a month which is the same as we had received for May and June.

We are proceeding with the allocation of these allotments on the basis of urgency but in the meantime we are doubling our efforts to so document our program that we will receive additional materials.

One of the things which has handicapped us in getting sufficient materials for the third quarter is the slowness with which utilities applied defense orders in the second quarter. Because these defense orders did not reach the mills as quickly as they might have, the assumption was made in Washington that the utilities did not need all of the material they had asked for. This was not true, but it indicates the need for using promptly priority assistance.

I particularly want to emphasize that third quarter orders should not be held up waiting for the Controlled Materials Plan.

We hope that by July 1st or shortly thereafter, we will be under CMP. This should provide some definite advantages. We expect that all material allotments made to us under CMP will be, in effect, certified checks with materials specifically set aside for our needs. We also expect to have

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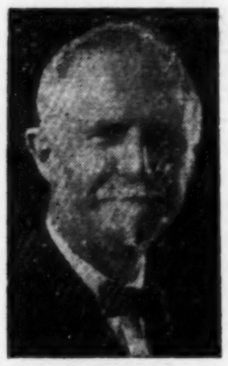
*An address by Administrator McManus before the 19th Annual Convention of the Edison Electric Institute, Denver, Colo., June 6, 1951.

The Price Outlook

By ROGER W. BABSON

Asserting only way prices will be lowered is by reducing quality or forcing unemployment, Mr. Babson predicts dollar will be worth less next year. Advises, however, against hoarding, and says prices will not skyrocket.

What is the outlook for prices of foods, clothing and rent for the balance of this year? The scare buying is over. Instalment sales are on the decline. Does this mean that the prices of all the things you buy will tumble?


Roger W. Babson

The Federal attempts to lower prices is largely a political gesture. Very few high-quality goods will sell for less for some time. The only way prices will now be lowered is by reducing quality or forcing unemployment. As long as full employment exists, prices will continue to depend—not on Washington rulings—but on supply and demand. If American families go back to having a good beef roast only on Sundays, then the price of beef will decline. If, on the other hand, they decide to have a roast twice a week, then the price will remain high.

New York City is the great central market for men's and women's clothing. Upon inquiries I learn that the prices which you see in windows and advertisements may be kept down, but the quality will not be good. If you want good quality suits or dresses, you must pay more. This does not mean that the manufacturer of the brand you have always bought has marked up his goods, but that his old best-quality goods are no longer available. Hence, to get good quality you must buy a brand which has always cost more. This applies to almost everything — clothing, furniture and canned goods.

What About Wages?

The "take home" wages are determined by supply and demand. Labor Unions can make manufacturers pay more wages, but they cannot make the public buy more merchandise. The bureaucrats at Washington can set a "fair" hourly wage, but they cannot assure work to the Union members. The "take home" pay is the product of the hourly wage multiplied by the number of hours worked. I believe this will hold up for some time; but it must decline before prices of food, clothing and shelter will tumble.

Yet, we must remember that only 25% of our workers are now unionized. The great mass are still free to work where they wish, as they wish and for what they wish. These are the true Americans, in my humble judgment. These will supply the foremen, managers and future employers of our great growing country. If you always want to work for someone else, then join a Union. If, however, you want to be a free man and climb to the top of some business, don't be tied to Union rules.

Dollars Are Worth Less

Another reason why the government cannot now reduce prices is because the dollar will be worth less next year. Just now President Truman is balancing the nation's budget; but he can't do this next year. He must print money or bonds to help pay for the military expenditures. Paper dollars are little different from paper dolls or any other commodity. As the supply increases above normal, the price goes down. Government bonds have already dropped in price; dollar bills will tumble again soon.

Many readers of my column send me charts and figures showing how prices have temporarily been controlled in the past, but they forget we are now living in an entirely new economic age. During his administration, President Roosevelt destroyed the Gold Basis for our dollar bills. This Gold Basis prevented prices from going too high. Now the only thing that can prevent prices, wages, real estate, etc., from staying up is either "a reduction in the supply of printing press money," or a business bust. Surely the price of gold will again be marked up.

Shall You Buy Now?

Don't buy now for hoarding. Prices will not skyrocket. There will continue to be enough necessary goods. On the other hand, don't wait for lower prices on goods you really need. Buy naturally; save naturally; and live naturally. Be neither a hoarder nor a speculator; be neither a scrimper nor a waster; be a God-fearing, sensible citizen and insist upon quality even if you must buy less.

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Dealer-Broker Investment Recommendations and Literature

Columbia Gas—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Columbia Gas Systems—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Norwich Pharmacal Co.**

Ducommon Metals & Supply Co.—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Also available is a study of **Kaiser Steel Corp.**

Erie Railroad—Bulletin—Faroll & Co., 209 South La Salle Street, Chicago 4, Ill.

Also available is a discussion of **Radio Corp. of America.**

Gisholt Machine Co.—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

Hoving Corp.—Circular—J. F. Reilly & Co., Inc., 61 Broadway, New York 6, N. Y. Also available are circulars on **Maryland Drydock** and **Mexican Gulf Sulphur.**

Mead Johnson & Co.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Missouri Pacific—Bulletin on position of the new income bonds —Goodbody & Co., 115 Broadway, New York 6, N. Y.

Parke, Davis & Co.—Memorandum—Shearson Hammill & Co., 44 Wall Street, New York 5, N. Y.

Permutit Co.—Analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Riverside Cement Company — Card memorandum — Lerner & Co., 10 Post Office Square, Boston 9, Mass. **Also available is** a memorandum on **Gear Grinding Machine Co.** and on **Seneca Falls Machine Co.**

Schenley Industries, Inc.—Bulletin—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.

Shareholders' Trust of Boston—Booklet—Harriman Ripley & Co., Inc., 63 Wall Street, New York 5, N. Y.

Smart & Final Co.—Analysis—Pacific Coast Securities Co., 519 California Street, San Francisco 4, Calif.

United States Fidelity and Guaranty Co.—Analysis—Stein Bros. & Boyce, 6 South Calvert Street, Baltimore 2, Md.

Valley Mould & Iron—Circular—duPont, Homsey & Co., 31 Milk Street, Boston 9, Mass.

Joins Frank Knowlton

(Special to The Financial Chronicle)

OAKLAND, Calif.—Arthur E. Stewart has been added to the staff of Frank Knowlton & Co., Bank of America Building.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

A group headed by Halsey, Stuart & Co. Inc. is offering $3,540,000 Western Maryland Ry. Co. 3% equipment trust certificates, series P, maturing annually July 1, 1952 to 1966, inclusive, at prices to yield from 2.35% to 3.05%. Issued under the Philadelphia Plan, the certificates are being offered subject to approval of the Interstate Commerce Commission.

The certificates will be secured by new standard gauge railroad equipment estimated to cost not less than $4,452,055.

Other members of the offering group are: R. W. Pressprich & Co.; A. G. Becker & Co. Inc.; Otis & Co.; The Illinois Co.; Pollock & Co. Inc.; and McMaster Hutchinson & Co.

Abuses in Public Power Administration

By A. J. G. PRIEST*

Vice-Chairman, Section of Public Utility Law, American Bar Association

Mr. Priest attacks administration of public power projects, particularly in use of "preference clause," which prevents investor-owned utilities from receiving electricity from government projects. Also criticises use of "continuing fund," which is replenished constantly by Treasury at expense of taxpayers. Says it was not intent of Congress to prevent use of public power by investor-owned companies and that present Interior Department monopolistic policy is furthering Socialist trend.

My dear father has told me that, some 35 years ago, he was engaged in an Idaho legislative contest of heroic proportions. Precise details have been lost in the mists of history, but father recalls that it was a kill-or-be-killed struggle and he also remembers that it produced this deathless quatrain:

The tarantula sat on the scorpion's back,
And he chuckled with ghoulish glee.
Says he, "I must lick this son-of-a-such,
Or, by Gad, he'll lick me!"

That tender verse has, I believe, some measure of applicability to the present conflict between the electric utility industry and the Department of the Interior. Let me hasten to say, however, that I would be the last to suggest that Secretary Oscar Chapman is a scorpion or that my good friend Louis Sutton is a tarantula. I feel very strongly that an epithet is not an argument and I am sure that we of the electric utility industry will not descend to the techniques which were used against us in the grim 1930's.

A. J. G. Priest

Thus, I would not call Secretary Chapman or Douglas Wright or Ben Creim, for example either a Communist, or a Fellow Traveler, or even a Socialist, because any such accusation on my part would be without proof and therefore would be both reckless and irresponsible. But I do say that the persistent and determined efforts of these and similarly-minded gentlemen to promote public power have already done irreparable damage; that the road upon which their feet are set is the road to socialism and that, if we may judge by the experience of our British cousins, the road to socialism *is* the path to perdition.

Archibald MacLeish may be somewhat startled if he learns that he has been quoted in this connection and in this connotation, but I believe, with Mr. MacLeish, that we *can* create "a society which will prove that the alternative to economic slavery need not be political slavery and that a free and responsible human being, thinking and acting for himself, is still a wiser governor of a nation than all the bureaus of the state police."

The Abuse of the "Preference Clause"

I am going to address myself particularly to what I think most of you know as the "preference clause" and the "continuing fund," two devices which, as used by our Interior Department friends to accomplish their purposes, are both extra-legal and Machiavellian. These devices are not contemplated by the legislation under which our adversaries purport to act and, if you will forgive me for being a bit rhetorical, they definitely are indecent unguents spread upon the path to perdition.

Preference clauses are not something new. As long ago as 1906, the Secretary of the Interior was authorized to give preference to "municipal purposes" in leasing power developed at reclamation projects, and there are similar provisions in a large number of the Federal enactments in this field. Section 5 of the Flood Control Act of 1944 is typical and I therefore quote its pertinent language:

"Sec. 5. Electric power and energy generated at reservoir projects under the Control of the War Department . . . shall be delivered to the Secretary of the Interior, who shall transmit and dispose of such power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles. . . . Rate schedules shall be drawn having regard to the recovery . . . of the cost of producing and transmitting such electric energy, including the amortization of the capital investment allocated to power over a reasonable period of years. Preference in the sale of such power and energy shall be given to public bodies and cooperatives. The Secretary of the Interior is authorized . . . to construct or acquire, by purchase or other agreement, only such transmission lines and related facilities as may be necessary in order to make the power and energy generated at said projects available in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the Federal government, public bodies, cooperatives, and privately-owned companies."

Please note the language: Disposition of electric energy "in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles" and rate schedules "drawn having regard to the recovery . . . of the cost of producing and transmitting such electric energy." There you have the basic Congressional intent. Then comes what obviously is a proviso granting a preference in the sale of such electric energy "to public bodies and cooperatives." Kindly observe, too, that such energy is to be made "available in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the Federal government, public bodies, cooperatives, and privately-owned companies."

With that language in mind, listen to a directive issued by Secretary, Harold L. Ickes on Nov. 28, 1945. This directive was recently put in evidence by Richard Arnold in the course of his cross-examination of Southwestern Power Administrator Douglas Wright in a current proceeding before the Arkansas Public Service Commission. "Honest Harold's" instructions are still in effect, as Mr. Wright testified. Indeed Mr. Wright said that he was bound by the directive "if I want to keep my job."

But here is Section 3 of the Ickes' directive, issued, if you please, in purported reliance upon the Congressional language which I read you a moment ago:

"To provide the widest possible use of and reasonable outlets for electric energy marketed by the Administrator and the purchase thereof by the ultimate consumer at the lowest possible rates consistent with sound business principles, and to prevent the monopolization of such energy by limited groups, the Administrator, to the extent and in the manner that in his judgment may be required, *shall advise and assist public bodies and cooperatives who are purchasers or potential purchasers of electric energy from the Administrator in acquiring, operating and maintaining distribution systems, or any portion or portions thereof, and related electric facilities and equipment.*" (Emphasis supplied)

Mr. Ickes has rare imaginative gifts, and perhaps Mr. Chapman does too, but I think it would require a greater talent for fantasy than either of them possesses to read into Section 5 of the Flood Control Act any Congressional intent that agents or representatives of the Department of the Interior should advise and assist public bodies and cooperatives who are potential purchasers of electric energy generated at multi-purpose dams in "acquiring, operating and maintaining" public power distribution systems. In effect, Secretary Ickes was saying to his Southwestern Power Administrator, and Secretary Chapman continues to say, "Do everything you can to convert investor-owned, tax-paying utility property into government-owned, tax-eating utility property."

Certainly no Congress since the first Roosevelt administration could conceivably have authorized any such assult upon the electric utility industry. This attack upon an important segment of the American economy was launched, and is being carried on, without Congressional sanction and in violation of Congressional intent.

I challenge the Department of the Interior to find in the Preference Clause any meaning except this: If, when the Department is ready to dispose of power from a particular multi-purpose project, there are two potential purchasers, one a public body and the other an investor-owned utility, making equally satisfactory offers, the offer of the public body will be accepted. Congress very definitely has not instructed the Department of the Interior to decline to furnish power to an investor-owned utility which is able and willing to purchase such power at the Government's bus bar and then proceed to spend the taxpayers' money to construct transmission facilities for the purpose of carrying that very power substantial distances to preference customers.

Let me suggest an analogy which I believe to be accurate. You can imagine what a resentful howl would echo around Pike's Peak if the Denver police department, acting under a veterans' preference clause and having 10 vacancies, employed the only two veterans who applied, but refused to hire qualified non-veterans who sought the remaining eight jobs and then proceeded to spend Denver tax money beating the bushes in Colorado Springs and Cheyenne in an effort to persuade veterans to file their applications. That, please believe be, is precisely what the Interior Department does when it spends millions of tax dollars to transmit power to alleged preference customers who are unable or unwilling to meet legitimate and proper offers made by investor-owned utilities.

But, of course, drab ordinary words which prosaic persons like ourselves had somehow believed we understood take on new meanings when they are passed through the prisms of more highly endowed minds. The word "preference," as used in this connotation, had its normal meaning from 1906 at least until 1930. For example, the Solicitor for the Department of the Interior had this to say in an opinion dated Jan. 6, 1930 construing the Boulder Canyon Act of 1928, which contained a preference clause similar to that set forth in Section 5 of the Flood Control Act of 1944:

"* * * Public interest includes the necessity for making a good business contract which will guarantee the return of the Federal investment as required by section 4(b). The primary public interest is in the soundness of the contracts and the solvency of the Contractor, not in the corporate or municipal character of that Contractor. All preferences are subordinate to this public interest. * * * Concerning the question whether a municipality or State has a preference for power which it proposes to sell outside its boundaries as against a bid for power by a privately owned public utility proposing to sell in the same area outside the boundaries, the 'preference' of the municipality is a preference in consumptive right, not a merchandising advantage."

Preference was given to public bodies when power generated at the Hoover dam was disposed of and, as a result, the Los Angeles municipal system probably was permitted to expand at the expense of existing electric utilities, but contracts for Hoover dam power were negotiated prior to the completion of that project and no Federal transmission lines were required to be built. Purchasers built their own facilities and took delivery at the project bus bar.

Effects of Discrimination

Under more recent legislation, beginning with the TVA in 1933, the preference clause has received a quite different interpretation. In fact, the preference clauses which up to that time had been reasonably administered and deserved to be called "preference" clauses became, and have continued to be, what C. N. Phillips describes as "discrimination" clauses. The process was comparatively plodding and even now the misinterpretation and misuse of preference clauses is often furtive rather than forthright.

But spectacular results have been achieved by the Federal power monopolists. In the TVA territory alone, 33 investor-owned companies have been wiped out in whole or in part; 95 municipalities and 50 cooperatives have been placed under captive contracts and an inexorable Federal power monopoly has been established in a service area twice as large as the Tennessee Valley. Furthermore, as you all know, unrelenting pressures are being applied in the Pacific Northwest, in the Southwest and in the Southeast, with exactly the same kind of Federal power monopolies definitely in contemplation, and the pressure also is beginning to be exerted in many parts of the Missouri Valley.

Let me quote an editorial published just a few months ago in the Sioux Falls "Argus-Leader" which tells an all-too-familiar story under the heading, "Shift to Public Power or Else, Washington Says":

"The Bureau of Reclamation announced Sunday plans for a considerable extension of the transmission lines from the hydro-electric dams, along the Missouri River. * * * What the extension

Continued on page 41

*An address by Mr. Priest before the 19th Annual Convention of the Edison Electric Institute, Denver, Colo., June 5, 1951.

Will Britain Revalue Sterling?

By PAUL EINZIG

Commenting on recommendation of Economic Council of Europe that Britain revalue sterling, Dr. Einzig points out pros and cons of such a move. Says fear that revaluation will lead to deflationary trend makes move unpopular, as British private enterprise would then have to face full harshness of socialism without mitigation of rising prices.

LONDON, Eng.—The report of the Economic Council of Europe, recommending a revaluation of sterling, created considerable stir in London. The Treasury was inundated with inquiries whether the views expressed in the report represent the British Government's views. The answer was emphatically in the negative. It was pointed out that the report was published on the authority of the Secretariat of the Council, not of the Council itself. While the British Government is represented on the Council, the members of the staff and expert advisors of the Secretariat are not appointed by the governments and do not represent governments. At the same time, Treasury officials declined to comment on the question whether the government favors the idea of a revaluation. Since the official denials in 1949 of the intention to devalue sterling gave rise to much criticism, the official attitude now is not to comment in any sense on suggestions concerning any possible alteration in the exchange value of the pound.

Dr. Paul Einzig

When announcing the devaluation in September, 1949, Sir Stafford Cripps did foreshadow the possibility of a revaluation if in practice the new level of the pound should be found to be too low. There have been no further official pronouncements on the subject. As far as it is possible to ascertain, the government was until recently quite decidedly against a revaluation, and possibly it still is against it. Even though the gold reserve has increased considerably, it is not considered large enough to remove all fears of a possible gold outflow resulting from a revaluation. Moreover, since the beginning of 1951 the British balance of payments has deteriorated to some degree, and this reason alone provides a strong argument against revaluation. It is feared that even if sterling is maintained at its present parities, Britain will lose some of the recently acquired gold before the year is over.

Many experts are of the opinion that in prevailing circumstances a revaluation would actually assist the balance of payments, in that it would change the terms of trade in Britain's favor. Owing to rearmament requirements the volume of goods available for export is expected to decline, and it is all the more important, therefore, to receive more for the smaller volume of exports. In a sellers' market there is no advantage in keeping the national currency undervalued. The government does not share this view, or at any rate it did not share it until recently. It is feared in official circles that a revaluation might jeopardise Britain's newly established markets in the dollar area. Moreover, it is argued that all other sterling area countries with the possible exception of South Africa would revalue their currencies if sterling were to be revalued, in which case their exports to the dollar area might also decline.

All these considerations are overshadowed, however, by the question of the internal repercussions of a revaluation. Hitherto the main reason why the government was unwilling to consider the revaluation was the fear that a reduction of the profit margin on exports would make it imperative to resist rigidly higher wage claims, and that this would lead to a number of strikes. It is true, a revaluation would also check the rise in the cost of living, and might even reverse it to some degree, so that there would not be the same need for granting wage increases. Notwithstanding this, the government would prefer to maintain a state of elasticity in which industry could afford to meet wage demands. For it is feared that such demands would continue to be forthcoming even if the increase in the cost of living ceased. Such is the fear of deflation that a revaluation, which is regarded as a deflationary move, is bound to be unpopular on that ground alone.

Nevertheless there is a possibility that the government may reconsider its attitude before very long. The increase in the cost of living is causing growing concern in official circles. It has become a political factor of first-rate importance. Should it continue, the government's unpopularity in the country would undoubtedly increase. Even from this point of view, however, the government is not at all certain whether revaluation would provide the required remedy. For the increase in the cost of living during the last 12 months is mainly due to the high prices of raw materials imported from the sterling area. From that point of view a revaluation would not make any difference, since the currencies of the sterling area would be revalued to exactly the same proportion. However, if the rise in the cost of living should continue at the present rate the government might conceivably reconsider its attitude, for there seems to be no alternative way of checking the rise during the period of increasing rearmament requirements.

What the government is afraid of is that a revaluation might change the prevailing expansionary atmosphere into a contractionary atmosphere. The moderate inflation that has prevailed ever since the Socialist Government has assumed office has been very helpful. It has assisted in enabling industry to increase its output above prewar level in spite of high taxation and in spite of the unfriendly attitude of the governing party to capital and enterprise. Indeed there seems to be some justification for the epigram that the regime in postwar Britain has been one of Socialism tempered by inflation.

Edison Electric Institute Elects New Officers

George M. Gadsby succeeds Louis V. Sutton as President, and Bayard L. England is elected Vice-President of the Institute

At the close of its Nineteenth Annual Convention held at Denver, Colo., from June 4 to June 7, inclusive, the Edison Electric Institute elected as its President for the coming year George M. Gadsby, President and General Manager of the Utah Power & Light Company, who succeeds Louis V. Sutton, President of the Carolina Light and Power Company. As Vice-President for the coming year, the Institute elected Bayard L. England, President of the Atlantic City Electric Company, who succeeds Henry B. Bryans, President of the Philadelphia Electric Company.

George M. Gadsby

B. L. England

As President and General Manager of Utah Power & Light Company, Mr. Gadsby is well known throughout the nation both in the electric industry and in other business fields. The western utility which he has headed for the past 22 years has developed during that time from a relatively small and limited concern into a forward looking public service company supplying electric power to a rich, increasingly diversified region whose economic possibilities only now are beginning to be realized.

Mr. Gadsby was born May 4, 1886, in Collinwood, Ohio. His father was then Secretary of the railroad YMCA and afterward became a Congregational minister. Mr. Gadsby attended the Marietta (Ohio) College, graduating in 1906 Magna Cum Laude, Phi Beta Kappa. He received the degree of Master of Arts from Marietta in 1907, and then attended Massachusetts Institute of Technology for two years receiving the degree of Bachelor of Science in 1909. In 1928 he was awarded an honorary degree of Doctor of Engineering by the University of Pittsburgh and in 1941 an LL.D. from Marietta College.

Going immediately into public utility work upon his graduation from MIT, he joined the Warren Water Company, a subsidiary of the American Water Works and Electric Company at Warren, Pa. From there he went with American Water Works to Pittsburgh, Little Rock, Arkansas and later to New York. In 1918 he went to work for West Penn Power Company in Pittsburgh and nine years later was made President of that concern.

Mr. Gadsby joined the Electric Bond and Share Company organization in 1929 and went to Utah as chief executive of Utah Power & Light Company. While he planned to remain in Utah for but a short time, subsequent developments and a real love for the Intermountain area and its people, caused him to give up any thought of leaving. He directed UP&L's recapitalization and reorganization activities in 1944 and at present he is handling a $68 million expansion program which, upon completion in 1953, will increase his company's electric generating capacity by 85%.

While in Pennsylvania, Mr. Gadsby was President of the Pennsylvania Electric Association, and has since been President of the Northwest Electric Light and Power Association, and a director of the National Association of Manufacturers and the Edison Electric Institute. He is at present a director of the National Association of Electric Companies, an active participant in the Electric Companies Advertising Program and the Public Information Program, and a member of the Electric Utility Defense Advisory Council in the Department of the Interior. He served two years as first national chairman of NAM's Committee on Conservation of Renewable Natural Resources, and remains a member of the committee at present.

Long active in community civic and cultural affairs, Mr. Gadsby is member of the board, Utah State Institute of Fine Arts and is a past President of Salt Lake Rotary Club and Community Chest of Salt Lake County, of which he is an honorary life member. He is a member of the Salt Lake Country Club, Alta Club and the New York University Club.

Bayard L. England Is New Vice-President

Bayard L. England, the newly elected Vice-President of the Edison Electric Institute, was born in Newark, N. J., and attended Atlantic City schools. He was graduated from Temple University and began his career with the Atlantic City Electric Company in the Engineering Department in 1924, later serving as Division Manager, Commercial Manager and General Manager. In 1948, he was elected President of the company.

Active in civic and charitable organizations in southern New Jersey, Mr. England is also President of the New Jersey Utilities Association and Deputy Director of State Civilian Defense for New Jersey. He is a director of the New Jersey State Chamber of Commerce and of the Pennsylvania-Reading Seashore Lines.

Edward Dames Joins Fahnestock Dept.

Fahnestock & Co., 65 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, announce that Edward Dames has become associated with the firm in its cotton department. Mr. Dames was formerly with Shearson, Hammill & Co.

Irle & Dull

Irle & Dull will be formed on July 1 with offices at 14 Wall Street, New York City. Partners of the new firm, which will hold membership in the New York Stock Exchange, will be Willard S. Irle and Floyd N. Dull. Mr. Irle has been active as an individual floor broker on the Exchange.

The Menace of Profit Starvation

By ROGER M. BLOUGH*
Executive Vice-President and Secretary
United States Steel Corporation

Operating head of leading steel company attacks idea attributed to nation's policy makers of bringing business to profit starvation level in period of national emergency. Says this policy is bound to cause trouble to wage-earners and investors alike, and contends a plateau of wage stabilization and production costs may never be reached.

American production is a great idea. It is the idea with which our company happens to be most concerned. We are in the production business. We make steel and a few other things. We sometimes build a building or a new plant, or find a new source of iron ore. But, whatever we do, it is all related to production, just like thousands of other businesses in the country. The Department of Commerce says there are four million businesses in the country, excluding farms, run as individual enterprises. Most are not as large as ours and we are not as large as a few others. But all of these businesses are on the production go—all the time on the go—making things, building things, producing this or producing that, creating this or that new product which in turn develops and creates other new ideas and perhaps a new industry, with new jobs and new products.


Roger M. Blough

These ideas of production are creative; they give a lift to the sum total of what is required to fill the needs of the average man and his family. They are on the plus side.

Now what has that to do with the law and the alumni of this great law school? Just this: we must give recognition to the fact that it is the most natural thing in the world for the laws of a great nation to change—to multiply—to grow complex—to change with the changes in means of production, in machines, and in human relationships—to multiply with the new situations which are created by the obsolescence of yesterday and the invention of today—and to grow complex as our American production grows more complex.

This constant change in the laws reflects that seething ferment of ideas which is constantly going on in this land. The law, in a real sense, is a codification and a regulation of that ferment, the constant creation of ideas in the minds of Americans, which is our most important and our indispensable ingredient.

Each new situation creates a new need for more rules and regulations, for more laws—or, if you please, for codification of new rules governing how these new ideas will be permitted to operate in a voluntary society. As long, therefore, as we have this seething ferment of ideas, we are bound to have new rules of the game.

You can readily appreciate what I mean when you recall that the ideas for television brought current rulings—for the moment the law of the land—governing how television may be operated. The first jet propulsion automobile which roars down the new boulevards of this city will be accompanied by a new rule of regulation we call a law—and, if not the first, the second will be. And that law will be followed by more laws and more controls when the first atomic energy car comes along.

Now if the one great characteristic of our American way is that flow of new ideas—new ways of doing things, new concepts, new means of progress—the one bedrock upon which that characteristic is based is voluntary action—the voluntary action of the individual, the right to originate these ideas—the right to say yes and the right to say no—the right to adopt or not to adopt the new concept as the policy of an organization or a unit of society or of our whole society—and, above all, to do it voluntarily.

If you accept that as a premise, it follows that anything which enhances and preserves the freedom of choice is on the plus side and anything which diminishes it is on the minus side.

A good way to look at a new legal concept is to determine for yourself its general direction: where is it headed? Is it headed in the direction of voluntary action, or, just the contrary, is it headed up the blind alleys called restraint and frustration?

New Controls to Starve Profits

Just as each new situation brings on new controls, the new national emergency had to bring its ideas of controls, many of which are now embodied as the policy of the land in the Defense Production Act of 1950.

In enacting that law which, among other things, controls wages and prices, with some notable exceptions, the duly constituted policy-makers for the nation carved out an area for further policy-making by the law's administrators. And these administrators have developed an idea regarding corporate earnings which, by administrative ruling, is now national policy and which, in my humble opinion, is bound in future months to cause trouble of a serious nature for wage earners and investors alike.

This idea, which saw the light of day several weeks ago—and which is really a reissue of one originally promulgated by the Henderson and Bowles price control dynasties of a decade ago—is about this: the nearer you can bring American business to the profit starvation point in a period of national emergency, the more effective will be the nation's production effort and its production results.

That, however, is not the way the authors of the idea described it. The mentors of the magnificent muddle have couched the idea in a most acceptable looking cloak. For the future, they say, a fair and equitable price for an industry amounts to 85% of the average of the dollar profits of the industry in the three best years during 1946-1949—with the so-called profits figured before Federal taxes and after disallowance of special depreciation on new high-cost facilities built during the emergency under Certificates of Necessity, which the tax branch of the government allows as a cost for tax purposes.

Let me short-cut the arithmetic and say this: if, and I emphasize *if*, this idea is adhered to, it could mean roughly a reduction of more than 50% in the 1950 rate of earnings in dollars for the steel industry—in the earnings available for dividends to stockholders. And that is without regard to any erosion since the late 1940's in the value of the dollar.

Now, as I said, this is not a new idea, although this time it is couched in slightly different verbiage. Let's look at its record—the record of what happened during price controls in World War II. During the five years of price control, years of high operating rates and years of what masqueraded as wage controls, this industry was dollarwise about 50% worse off than it was at lower operating rates immediately prior to 1942. In other words, at the end of the five years of controls, earnings in terms of dollars dropped 50%.

But that does not tell the whole story. During the same five years the purchasing value of the dollar in terms of what these companies bought dropped about 30%. This meant that in 1945 real earnings were about 35% of 1941.

Bad Policies of Price Control

Why was this true? The basic answer lay not in the ideas adopted by Congress but in the administration of those ideas—in the policies adopted by the administrators of price controls.

The figures I have given you are necessarily approximations. I invite you to check them for yourself. You may vary them several points here or there, but you will not change the essential truth of the assertion that during price and wage controls in the last war our profits as an industry were put through the wringer and squeezed dry.

And if you will look at the production records for 1945 and 1946, you will see that production also suffered.

Now history is repeating itself. Wage and price controls are upon us again—for how long I cannot guess. If it is for the duration of the emergency, it may be for a long, long time. One emergency seems to follow another, for different reasons, it is true, but somehow or other the emergencies seem to follow each other in tandem—and each emergency brings its further ideas of controls.

It would take the seventh son of a seventh son to prophesy with assurance what will happen under the present set of wage and price ideas as they ripen into the control policies which are being established. But this we do know: There is no discernible evidence, at this distance from Washington, that wage cost increases have reached a plateau of stability. Over 3,000 cases already are pending before the wage stabilizers seeking to pierce the existing wage stabilization roof. This so-called ceiling already has begun to look like an inverted sieve. Whether this hill climbing is to be at a slow gait, or at the climbing rate of a modern ski tow, remains to be seen. But it does look like a climb in production costs.

If production costs increase—I suppose I should say when and as production costs increase—it will be the same old story: the story of competition between ideas. Should an industry make a reasonable profit, when so much in the way of new facilities, new development and greater production depends upon that profit, both in the hands of the company which earns it and in the hands of the investors of the land who must furnish the sinews of our industrial might? Or are we going to repeat in our land the sorry tail of industrial decadence brought about by slow starvation from a lack of the only food upon which a profit economy can survive—a profit?

Cost of Business-Living

You have heard a lot about a cost-of-living increase. How often have you heard about a cost-of-business-living increase?

This is not said by a member of a special interest group seeking special privilege. It is said by one wholeheartedly convinced of the soundness of our basic idea of voluntary action—and by one convinced that in the competition between the two ideas—a profitless economy on the one hand and an economy with the driving force of a profit on the other—there is no room to question which will bring out the greater production.

Resolution of this conflict of ideas in the interest of greater production is important in short periods of imminent national danger, but it is even more vital in our emergencies of long duration.

A plea for industrial profit incentives under emergency conditions is not a plea for "business as usual," although our critics may construe it as such, As far as my experience goes, business is like the weather in a certain far western state—it is never usual. Nor does it imply any lack of patriotism on the part of management or investors, or on the part of workers in the plants who, if anything will work to an even greater degree on incentives during emergency periods. But it is to say that adequate profit and production incentives are not incompatible with whatever controls are necessary during emergency periods. More importantly, it is to say that in the last analysis our production is our greatest means of defense, and that our best means of achieving that production is through adequate profit incentives.

Take time out, when a new idea for control comes along, and test it for yourself. Does it fit a real need—does it aid production—or will it give business another case of Potomac ptomaine?

This is not to doubt the sincerity of many of the men who are struggling with controls—on the originating end. Many of them are sincere and do not wish to control for control's sake. They do not want industry to reach the point, through taxes and profit limitations, where it will be like the mule that walked head first with a bang into the barn door and his driver was forced to explain that the mule's eyesight was all right, but that he just didn't give a . . . a continental.

I am sure our men of control do not want to see a situation like the cartoonist's description of a government report on a particular industry, which, in the words of the cartoonist, read about like this: "So far this year things have slowed up, whereas in a corresponding period last year they slowed down."

The plea is not one of advocating direct controls or indirect controls, and certainly it is not one of advocating controls on what one buys, but no controls on what one sells—whether it be steel, or labor, or china dolls.

A Production Point of View

The plea is rather one for a point of view—a production point of view—and you in the legal profession can be most instrumental in bringing this about. It is in essence a plea for a self-imposed

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*Address by Mr. Blough at the Annual Dinner of the University of Pittsburgh Law School Alumni Association, Pittsburgh, Pa., June 11, 1951.

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The Security I Like Best

chase of Puget's Seattle competitive area property by the city must be promptly resolved one way or another so that the scope of an over-all acquisition can be determined.

"(2) Satisfactory arrangements will have to be made whereby six PUD and five municipal condemnation actions now pending against Puget property are dismissed.

"(3) All of the eight PUDs in the area where the company serves or has property will have to agree to or consent to a plan of acquisition. This in itself appears to be no easy task.

"(4) Any purchase proposal presented by a group of PUDs must be fair as to price—backed up by assurance that it can be financed, and acceptable to Puget's stockholders."

By the middle of April, the first step has been completed. Puget received almost $27,000,000 for its Seattle properties. After taking into consideration the costs attendant upon the separation of its Seattle area from the general Puget system, and such other costs as arose from the sale, the company netted approximately book value. Thus, the company actually broke even on the transaction despite the fact that its Seattle properties might be considered less desirable than other areas of its system, as Puget has always had competition in this city.

The sale represented 40% of its revenue producing property but only 25% of its physical area. Presuming that the company will obtain no more than book value for its remaining properties, the stockholder can expect liquidating proceeds of approximately $22.50 a share for his holdings.

The company might even do better in future negotiations because almost all PUD purchases of private systems have been above book value in recent times. Due to the advantageous financial structure available to such entities, they are in a position to pay considerably higher prices than private groups. Also, it is worth noting that the various PUDs interested in purchasing Puget's power facilities can now be considered in competition for these areas with the newly organized Washington State Power Commission.

In recent months there has been an apparent reluctance on the part of the company's management to negotiate for the sale of its properties. It is conjectured that the officers of the company feel that some delay would be advantageous to the company for two reasons:

(1) We are in an inflationary period and the replacement value of Puget's properties would have a tendency to move up in price. This factor should be reflected in the price that Puget could negotiate.

(2) There is now imminent, in the State of Washington, the sale of the properties of Washington Water Power at a price well in excess of book value. If this transaction is completed before Puget negotiates the sale of its system, the management would have a better claim to higher prices.

The company used the money received from the sale of its Seattle area properties to retire its bonds. The common stock is now in a better position to directly reflect the imminence of complete liquidation. As further negotiations are carried on for the sale of its properties, it is to be expected the market price of the common shares will move closer to the eventual liquidating value.

Scannell, Quinn With Harris, Upham & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Joseph B. Scannell and Hubert J. Quinn have become associated with Harris, Upham & Co., 232 Montgomery Street. Mr. Scannell was formerly local manager for Cantor, Fitzgerald & Co.

Hornblower & Weeks Underwriter Stock Offer

Common stockholders of Oswego Falls Corp. today (June 14) received transferable warrants giving rights to subscribe for 96,000 shares of the company's 5% convertible second preferred stock, series A, par value $30 per share. The subscription price is $31.75 per share, at the rate of one share for each five shares of common held of record June 13, 1951. The rights expire at 3 p.m. (EDST) on June 28, 1951. Hornblower & Weeks heads an investment group which is underwriting the offer.

Proceeds of the series A second preferred will be added to working capital for use in the company's business and for the payment of $1,250,000 of short-term loans from four banks not affiliated with the company.

The stock is convertible into common stock at the rate of 1.8 shares of common for each share of second preferred.

Oswego Falls Corp. manufactures various types of paperboard containers, milk bottle caps and hoods used by dairies and others for the sanitary bottling and packaging of milk, ice cream and many kinds of liquids and moist foods. The company distributes its products nationally under the well-known trade name "Sealright." It also manufactures filling, capping and container forming machines which are leased to dairies and other customers throughout the country for use in connection with the company's products.

Halsey, Stuart Offers P. S. Co. of N. H. Bonds

Halsey, Stuart & Co. Inc. is offering $3,000,000 Public Service Co. of New Hampshire first mortgage bonds, series F 3¾% due 1981 at 102.738% and accrued interest.

Proceeds from the sale of the bonds will be used to reduce short-term borrowings incurred for interim financing of the company's construction requirements. Such borrowing now amount to $5,450,000. The company's present construction plans call for the expenditure, based on present costs, of approximately $8,250,000 and $10,916,000, respectively, in 1951 and 1952.

General redemption of the bonds may be made at prices from 105.74% to par. Sinking fund redemptions range from 102.64% to par.

Public Service Co. of New Hampshire is engaged in the generation of electric energy and its transmission, distribution and sale to about 122,000 domestic, commercial, industrial, agricultural and municipal customers in the cities of Manchester, Nashua, Berlin, Dover, Keene, Laconia, Rochester, Franklin and Somersworth and in 151 towns, all in New Hampshire. Territory served has an estimated population of about 372,000. The company also distributes and sells electricity to approximately 550 customers in six towns in Vermont having a total population of 1,800 and to approximately 170 customers in three towns in Maine having a total population of about 2,400.

Dillon, Read Places Soap Issue Privately

The Colgate-Palmolive-Peet Co. has borrowed $25,000,000 from The Equitable Life Assurance Society of the United States on a 3% promissory note, repayable over a period of 20 years, according to E. H. Little, President of the C.-P.-P. Co. The financing was arranged through Dillon, Read & Co., Inc.

The proceeds from this loan will be used for general corporate purposes.

H. W. Armington Joins Joseph F. Jordon & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Henry W. Armington has become associated with Joseph F. Jordan & Co., 79 Milk Street. Mr. Armington formerly did business under the name of H. W. Armington & Co. and prior thereto was Boston manager for Amott, Baker & Co., Inc.

Joins Goodbody Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — Amos F. Gregory, Jr. is now with Goodbody & Co., Penogscot Building.

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Mid-Year Observations on Business

courage savings rather than consumption.

And it will not even bridge the budgetary gap. If armaments continue growing anywhere close to schedule, and given the mood of Congress, taxes could not cover the $70 to $80 billion of Federal expenditures in fiscal 1952. A deficit of $5 billion, if not much more, cannot fail to restart the inflation spiral, controls or no controls. Since the usefulness of savings bonds as a means to absorb excessive purchasing power is fading out, the Treasury will attempt to sell a bill of compulsory savings to Congress—against heavy odds.

Allocations

The Controlled Materials Plan is coming in force on July 1. Already, cobalt, aluminum and copper are more or less rigidly controlled; 50% of the steel output is earmarked for defense (which includes things like freight cars). But munitions industries are still at the tooling-up stage. The "pinch" will be effective by late fall when war instruments should be rolling out of the factories in volume and new armament orders may be pouring out at the weekly rate of $1 billion. If at present only 10% of plant capacity serves military objectives proper, it may well be 20% in a matter of months. But the total national output is rising very slowly in physical terms; varying shortages —rubber one day, scrap the next—take care of that. Moreover, per man-hour productivity in manufacturing is practically stationary.

While industry as a whole merely shifts its stand from the civilian to the military leg, some sectors will have to take some punishment, dwelling construction in particular—with high costs and credit restrictions "catching up" anyway—and small business in general. Credit controls such as regulations W and X should become superfluous when allocations and production curtailments accomplish what the British insistently demand: that we reduce our living standards—the global projection of the domestic drift toward equalitarianism.

We shall have to get along on short supplies so as to "share" scarce materials with the Allies, as announced by the Defense Mobilizer. They are in dire need, indeed. Britain e.g., is near suffocation by sheer lack of sulphur, figuratively speaking. Last year, her steel scrap, zinc and copper consumption exceeded her imports by 200,000, 30,000 and 35,000 tons, respectively. While the European armament boom is just getting under way, their inventories in strategic materials are thoroughly depleted and their international accounts again in the red. Europe may take up the "slack" in many basic commodity supplies created by the (temporary) curtailment of our stockpiling program.

Production curtailments will fulfill more than the emergency which they are supposed to serve. In addition to releasing scarce commodities and labor, and on top of lowering American living standards, they will be most "useful" in overcoming the current setback in sales volumes. Whether or not they are planned that way, the policy of reducing the output in consumer durables, such as slashing passenger car production by one-third to 1,200,000 in the third quarter, will be a relief to dealers harassed by inflated inventories and sagging markets.

Price Ceilings

In view of the fantastic bungling which the Administration has displayed—could one expect anything else?—Congress may renew the expiring Defense Production Act for a short period only. It is apparent that Mr. Di Salle is in a hurry to beat the deadline by imposing ceilings right and left.

As they stand, the price rules mean little more than a prohibition to slap profit margins on additional costs. In other words, profits should be "stabilized" with the impotent Wage Stabilization Board letting wages ditch the 10% limit imposed by the January "freeze." That might slow down the inflation (if and when), but will create such maladjustments that the rule would have to be punctured and abandoned sooner or later.

In the face of softening markets, the opposition against price controls is almost unanimous. For the same reason, this session of Congress will be very hesitant to provide the Federal Reserve with more incisive powers over bank loans.

Retail sales, in physical volume, are skidding in earnest. This fits perfectly into the pattern of an artificial 12 to 18 months' cycle, characteristic of our controlled economy.

It starts with an outburst of speculative inventory accumulation and price hikes stimulated by forthcoming monetary or credit expansion. Sooner or later, the consumer's financial breath runs short and inventory liquidation follows at falling prices—which is what we are witnessing now—until wages and incomes are adjusted upward and a new inflationary stimulus gets underway, as it inevitably does.

This "cycle" is complicated by the unpredictability of governmental intervention that promised last summer more spending on durables than it could deliver subsequently, while it spent more on stockpiles than the public was led to expect. It delivers currently a new surprise that helps further to cool the inflationary heat: in addition to the sudden curtailment of raw material buying, plant expansion plans have been revised downward so as to "dovetail" them and to avoid disproportionate production.

Combined with the consumer's attitued to wait for lower prices, these symptoms indicate the probability that the boom may not recover its virulence as fast as threatened by governmentalized economists like Mr. Keyserling—who are trying hard to convince Congress of the need for more controls. But it is important to note that consumer buying in New York was invigorated at once when the "fair trade" decision of the Supreme Court unleashed a price war among department stores (and opened a hornet's nest of legal controversies).

In other words, the demand is here and the money is or will be forthcoming (rising wages!), which is all that is needed to restart the inflationary cycle.

It should be noted, incidentally, that the long-run trend is toward an increasing percentage of personal incomes turning up in retail stores. Their sales amounted to 72.1% of disposable personal income in the first quarter of this year against 67% last year.

No Recession in Sight

Prices are under double pressure: sharply from the raw material side and also from the retail end. The wholesale level soon will have to reflect this, as consumers are likely to find more bargains among manufactured products. Commodity futures which have led the downward procession of prices since February, still reflect a bearish tendency of the world markets. But these declines, so far, are fractional in comparison with the unparalleled 50% rise in seven months that preceded them.

What is more significant for forecasting purposes: the rising tide of manufacturers' inventories appears to be halted in comparison to the backlog of orders for durables which still holds up. Cancellations are scarcely probable when the bulk of orders stems directly or indirectly from the government. As to retailers caught on the horns of mounting costs and slipping prices, they will have unloaded before long and may restart the cycle of inventory accumulation—more cautiously than last summer, let us hope.

In short, a record $24 billion annual volume of plant and equipment construction does not herald a major business setback this year or next winter. Nor does a $28 billion size of building activity, second only to the all-time high of 1950; or an automobile output of some 5,400,000 cars "only" (which may not be easily sold).

H. D. Swihart Joins J. G. White & Co.

J. G. White & Company, Incorporated, 37 Wall Street, New York City, announce that Homer D. Swihart has joined its government bond department.

Homer D. Swihart

In the government bond business for a number of years, Mr. Swihart, from 1925 to 1929, represented the Continental Commercial National Bank of Chicago, now the Continental Illinois National Bank & Trust Co. in New York. From June, 1933, to March, 1938, he was with C. F. Childs & Co., and from 1938 to 1942 had his own firm of H. D. Swihart & Co. trading in government bonds. Since 1942 Mr. Swihart has been with D. W. Rich & Co., Inc., specialists in government securities.

Mr. Swihart is a Yale graduate, Class of 1914.

Salomon Bros. Hunts Soft Ball Games

Salomon Bros. & Hutzler, 60 Wall Street, New York City, members of the New York Stock Exchange, are looking for soft ball games with other investment houses during June, July and August at Wingate Field, Brooklyn, on Friday evenings at 6 p.m. Mike Laray of Salomon Bros. is arranging the bookings.

Public Enterprise in Cooperation With Private Enterprise

By EDWIN G. NOURSE*
Past Chairman, President's Council of Economic Advisers

After setting forth co-development of public and private enterprise in furnishing utilities, Dr. Nourse applies to electric power industry principle that government should undertake projects only when private enterprise lacks courage or size to undertake risks needed. Calls for a "harmonious complementarity" between private enterprise and public enterprise and commends steel industry for program of over-building, in order to keep out government invasion of field.

We very properly think of the American economy as basically a private enterprise system — and we intend to keep it that way. But we Americans are a very practical people. Instead of being doctrinaire, we are pragmatic. That is, we value things according to how well they actually work. We have always been impatient to "get things done." And so, if the enterprise of the profit-seeking business man did not find a way of turning out the goods or the services that we wanted, we have not hesitated to try another way of getting these goods or services. As free men, we have exercised the citizen's right of public enterprise to organize our resources to satisfy our wants.

Edwin G. Nourse

Two familiar cases are quite adequate to illustrate the point. From Colonial times forward, we have had a lively realization that providing every child a good opportunity to develop his abilities and talents for productive work and to prepare himself for citizenship was essential to the soundness and the progress of the country. From "the little red schoolhouse" to the superb "consolidated schools" of today, we have gone on to make public education free up to high-school Commencement Day. And state colleges and universities make advanced general, technical, and professional training available on a low-cost subsidized basis up to the top limit of formal education. But have private schools, parochial schools, academies, seminaries, institutes, and endowed colleges been killed out or denied the right to be born and live? You know better. Though many a youngster has even learned to fox-trot or rhumba in a public school or college, the private enterprise of Arthur Murray—and lots of lesser dancing masters—is doing all right. A boy can learn a trade or a girl can take a secretarial course in a public high school. But thousands of trade schools and "business colleges" flourish from Portland, Maine, to Portland, Oregon. The stream of free competitive enterprise flows strongly and harmoniously through both public and private channels.

*An address by Dr. Nourse before the Nineteenth Annual Convention of the Edison Electric Institute, Denver, Colo., June 5, 1951.

My second illustration comes closer home. You may not think of education as a very important field for business exploitation, and may be well satisfied that government is taking major responsibility for giving basic training to the labor force that the employer draws upon. But how about transportation? Government always has carried responsibility for a system of military roads, depots, and transports suitable to the time. But, beyond any potential military need, we have always expected government to supplement private enterprise in seeing to it that there was a local and national system of highways, railways, waterways, and now airways that gave private producers and traders quick and adequate means of moving materials, personnel, and product.

If, to cite a single case, we had not shown the public enterprise, as the automobile age burst upon us, to push the whole country over from dirt and gravel to concrete, growth of the automobile industry—and the vast industrial structure that depends upon it—would have been stunted. County "road commissioners" had to give way to State Highway Commissions. A Federal agency had to coordinate a national system of primary highways and, at strategic places, super channels or freeways. Uncle Sam put many millions into overhead cost and aid to states. States and even counties spent as they had never spent before and bonded themselves, often to the legal limit. That's "deficit spending" in any man's language.

I do not say there were no mistakes, wastes, or even abuses in this process. There always are in the rush of big economic developments. But, in retrospect, I think we all agree it was good business all around. It was a good example of using both types of economic enterprise in proper team relationship. Government did not "invade" the transportation business. It played a necessary "facilitating" role but did not get into the operative field. The roads were built by private contracts, and their orders made profitable business for cement, steel, machinery, and many other manufacturers. As the roads were made available, bus and truck companies arose and flourished, the farmer's marketing problems and costs were eased, and the whole manufacturing and distributing system benefited.

Power Development

And now, just a few words about the electric power industry. Its tremendous recent growth is an open record. Its tremendous role in the industrial picture of America is hardly less evident. But its future status, whether as a private industry or a government activity, continues to haunt your dreams. I am no soothsayer. But I shall set out a few propositions that seem to me to have a bearing on the possible outcome of this issue.

First, I think we have to recognize that hydroelectric development is tied in with navigation, agriculture, forestry, and several lesser matters in ways that make collaborative plans and multilateral settlements socially necessary. They are demanded for the long-run interest of the economy. The electric power industry must be willing to study its problems and evolve its programs in that context.

Two, I do not believe that this calls for Valley Authorities from the Mississippi to the Merrimac. Private enterprisers can and I believe, with the present state of social consciousness of company executives, would adapt their plans of power development to any reasonable program of multipurpose resource development that government agencies show justification for. And the need to reconcile the social hopefulness of the public official with operating realities as seen by the men who have to face a balance sheet is bound to reduce waste and raise efficiency.

Third, for all ordinary projects, the managerial talents and financial resources of private industry will suffice, as is shown by the enormous private expansion of recent years.

Fourth, there have been times and may be times again, when private power companies did not "think big enough" or could not marshall enough money or courage in risk-taking to do what the country needed or was about to need power-wise.

TVA and Other Government Projects

I see TVA as an illustration of one such situation. If the Federal Government had not become a pace-maker in that situation, I do not believe the power industry's contribution to the industrial quickening of a somewhat lagging section would have been so adequate or so prompt as it has in fact become. There seems to me good evidence that there would not have been the coordinated blue-printing and well-timed execution of a system of 12 dams placed strategically with reference to a number of important considerations for the economy. Nor do I believe that without this vigorous pace-making, the rate-structure for current would have been adjusted fast enough to get any such rapid expansion of a market for current and for equipment and appliances as has taken place in this territory.

One reason why these results could not have been accomplished by private power companies is because the inducement to "think big" and to act big in private business is under the constant but vague threat of our anti-trust laws and the unpredictable attitudes of their administrators. The government wants coordination of resource development but says the developers must not work on a team or even let each other know what is to be coordinated with which.

To my mind, TVA is an invaluable experiment in the laboratory of free enterprise. We should not regard it as a "pilot plant" which has shown us just how to do something, which we can now repeat in numbers. It has shown us certain mistakes which should not be made again elsewhere by anyone, public or private. It has shown us a great deal about how separate power units under private management could coordinate their operations with each other under a plan openly arrived at and approved by the proper government agencies. Such a co-

ordinated plan would be adjusted also to such considerations of transportation, soil conservation, forest development, and wild-life protection as are the concern of other industries and other government agencies. In time, TVA might be like the suture used by the surgeon to hold muscles or membranes together until they can grow new tissue. Meanwhile, the suture itself is absorbed and disappears.

Now just a word about public and private enterprise in the power industry of the Columbia Valley. I visited that section, more or less as an emissary of the President, just before the CVA bill was introduced in 1949. I did not find even among the most outspoken opponents of that bill any who thought private companies, if left alone, would or could have done for that section and for the country what Federal development of Grand Coulee and the other big projects did. Here was a section of the country rich in many resources, but without either coal or petroleum. Only cheap local power would permit it to develop, to give its people a decent standard of living, to play its important part in World War II, and to provide for the rapidly expanding numbers who have been flocking into the region. The costs involved for full-scale development were gigantic, and piecemeal development would be wasteful and inefficient. At the same time, the rate at which local markets for the full power output would develop was a matter of the wildest speculation. The job was too big and too hazardous for any private company to take on, and a power group would have met great delay and have probably been denied permission. As the demand for power actually developed, we may all be glad that Uncle Sam had the big coordinated plan, the big sack of money, and the timely and swift building schedule that made that basic resource of cheap power available to the section.

But after "facilitating" the creation of that great resource, I see no excuse for government trying to monopolize its use. Perhaps absolute limitation to "sale at the bus-bar" is not practicable. Perhaps a skeleton system of high-tension, wholesale distribution has to be furnished by the Federal government, though the technical ability and financial willingness of private power companies in this and other regions make that seem very doubtful. But whatever the point of sale, the "common carrier" principle should govern. A free market means selling on the same terms to whoever wants the service. It ill befits a government that is ostentatiously attacking private monopoly to seek in the twilight to build a public monopoly of much greater size. Furthermore, the present is a time when it is peculiarly improper to use manpower and materials to construct duplicating facilities.

"A Harmonious Complementarity"

The view that I have been expounding of a harmonious complementarity between private enterprise and public enterprise is not one which is universally held in policy-making circles in Washington today. There is a strong faction of those who believe that, in any emergency of threatened unemployment or inadequate production, the government should step in to fill the gap by direct methods. Men of this persuasion wrote such provisions into the original "full employment" bill and regarded the present Employment Act as an "emasculated" measure because it provides only for analytical and advisory services to the President and the Congress. At the first sign of easing in the labor market in early 1949, they brought forward the Spence bill, providing among other things for the Federal construction of industrial facilities in times of peace. In 1950 they renewed the attack with an "economic expansion" bill that was supposed to "restore the teeth" withdrawn from the Employment Act and put the government in the business of guaranteeing jobs and itself going into whatever expansions of industry it felt moved to undertake to that end.

When the Defense Production Act was passed, it was not hard to smuggle in an authorization for government to build or promote the building of industrial plants which private business was unable or willing to undertake. Now that that law is up for extension past June 30, a strong drive is on for enlargement of the power for "government expansion of industrial facilities."

The strongest defense against dangerous developments in this direction is found in the great volume of earnings and of borrowed funds that private business has been and still is pouring back into enlarged and improved plant. Your own record is admirable, and your risk is not undue, in view of the strong uptrend of population and the healthy expansion of both industrial and domestic uses of current. What the steel industry has been doing is no less admirable and, I think, done in more difficult circumstances than yours.

We won the full shooting war, with 10.5 million men in the armed forces, with 93 million tons of ingot steel capacity. During the five peace years after the war, the industry raised its capacity to about 101 million tons and in recent weeks has operated as high as 104% of rated output. Meanwhile, they are building a schedule that promises 117.5 million tons by the end of 1952. They can look forward to the same population growth as can you. But, instead of a rising per capita demand for their product, they confront the competition of light metals, plastics, plywood, and high density board. They confront the possibility also that the "product-mix" of a rich peacetime society may contain less steel-using products and more "service" than has been the average of recent decades.

Responsible leaders in the steel industry think their present program constitutes over-building. I strongly share that view. But I think these leaders of private industry are smart to run this risk for the sake of leaving no excuse or opportunity for government to get into the production phase of this basic industry. They have their finger in the hole of the dyke that still stands against nationalization. All of private enterprise owes them a debt.

New Members of Security Analysts

SAN FRANCISCO, Calif.—The election of the following new members to The Security Analysts of San Francisco has been announced by John R. Beckett, President of the Society:

Admitted to Regular Membership—Edward S. Goetze, Vice-President; Frank Knowlton & Co.; Nathaniel S. Chadwick, E. F. Hutton & Company; Lucio M. Mintzner, McCutchen, Thomas, Matthew, Griffiths & Greene.

Admitted to Associate Membership—Owsley B. Hammond, Assistant Treasurer and Manager, San Francisco office, Theo. H. Davies & Co., Ltd.; Dean Roy G. Hall, College of Business Administration, University of San Francisco.

We Can Have Economic Strength Without Damaging Controls

By HERMAN W. STEINKRAUS*
Chairman, Executive Committee,
Chamber of Commerce of the United States, and
President and Chairman of Bridgeport Brass Co.

Prominent industrialist, pointing out our military strength is dependent on strength and efficiency of our home front, condemns economic controls as handicapping competitive business and sapping production incentives. Says wage and price controls cannot reach basic realities, and thus have very little chance of success. Attacks policy of Wage Stabilization Board, and holds Board violates provisions of Defense Production Act. Prefers controls of profit margins to fixing of ceiling prices.

In enacting the Defense Production Act, Congress said: "The United States is determined to develop and maintain whatever military and economic strength is found to be necessary" to oppose acts of aggression and to promote peace.

H. W. Steinkraus

The Chamber of Commerce of the United States endorses that statement of the Congress and urges every practical means available for increasing our military might and, at the same time, maintaining a healthy, growing civilian economy.

While the point is one on which no one disagrees, we cannot overemphasize the fundamental necessity, in this period of our testing as a free and democratic people, of maintaining a vigilant concern for the strength and efficiency of our home front.

Our military strength itself can be no greater than the strength and efficiency of that home front.

We are without rival in industrial capacity, in technological know-how, and in the productive skills and versatilities of our free labor force. The test is whether we can maintain the smoothness and efficiency of overall coordination required for the continued translation of unrivaled resources into unrivaled production.

We would do well to remind ourselves that it was our enemies' crack-up on the production front that brought them down to hopeless impotence in the final stages of the last war.

It is on that level of importance that we must appraise the danger of neglecting to give full consideration to the vital matter of keeping our civilian economy in the soundest possible condition.

We must use care that we do not, in haste, enact legislation which will do more harm than good to our economy. We do not know how long we will be called upon to maintain the present so-called "garrison state." Our highest officials predict heavy military commitments indefinitely. In such circumstances, it would be a sad commentary upon our collective wisdom if we hamstrung our economy with so many unwise regulations as to lose in the end the very things we are arming to defend.

The problem before Congress divides into two parts—military production for defense and a strong domestic economy, including control of inflation.

Inflation can disrupt the entire defense program and render null and void the measures taken to mobilize production. You gentlemen know the causes and symptoms of inflation. It is caused by an increase in money spending and credit which is out of proportion to the quantity of goods and services offered in exchange. This cause of inflation must be attacked if inflation is to be mastered. The symptom of inflation is a rising price level. Leveling our primary attack against this symptom is only shadow-boxing with the problem.

There is no real argument about the economic, social and political seriousness of inflation. But there is still a lack of clear general understanding that to combat the threat of inflation we must curb expansion of the total volume of spending power. If we fail to control inflation, it is certainly predictable that the cause will lie in Federal deficit financing or overexpansion of bank credit—or —more likely—both.

Even the wisest and most effective direct price and wage controls can do little more than bring about a time-lag in the upward movement of even the controlled wages and prices, when the whole wage-price structure is subjected to the pressure of an inflationary increase in total spending power.

The only practical, effective curb on the creation of that pressure is a curb on deficit-spending and credit expansion.

What Has Happened?

How can this view be squared with our experience to date and with the prospects we now know to be confronting us?

Many are emphasing that the present lull in the inflationary spiral already has proved the efficacy of direct wage and price controls which, by the way, are still very much in their formative period.

I say there is no greater threat overhanging our economy today than to so misread the facts.

For bullish anticipation was unquestionably a major factor in the first flareup of post-Korean inflation. That psychology gradually petered out and later, actual imposition of direct wage and price controls came along to play a small part in continuing the abatement of the pressures of our economy. We must keep in mind the fact that the two most important primary causes of wartime inflation—deficit-spending and diversion of production—had not yet hit the economy.

The upward price pressures, the anticipatory buying and the hoarding that took place last autumn and winter were themselves to a large degree the result of official pronouncements of impending shortages and coming controls. Housewives, labor leaders and businessmen all got into the thick of it.

If we had never adopted these direct controls or seriously considered adopting them, it is quite possible and some would say, probable, that prices would be lower today. Hoarding would have been greatly minimized and possibly would have been kept much lower because the feverish stampede to get in ahead of the controls would have been either absent or at least less intense.

In considering the extension of these direct controls you ought to ask yourselves whether wage controls will not stimulate competitive upward wage adjustments far more than would take place in the event of controls.

It is a matter of common knowledge that labor leaders watch each other's "achievements" with great concern, and often envy. Under government wage-fixing all major discussions become matters of front page news. Every labor leader is put on the spot to get as much for his union as was obtained by some other union. This becomes political competitive wage-making.

The Wage Stabilization Board as newly constituted has shown either no capacity or virtually no capacity to resist wage demands. With the nation-wide publicity attending each wage board decision it is quite possible and, some would say, probable, that we now have a "Wage Stimulation Board" instead of a Wage Stabilization Board.

The Future Problem

But the full force of those primary causes may be with us by late summer or early fall when the effects of sharply rising military spending and production hit the economy with a force unprecedented in American enterprise short of war.

Wage and price controls cannot possibly reach the basic realities. Holding prices below competitive levels and squeezing profits cannot add to the supply of goods and services available for purchase. Nor can such controls reduce the excessive spending power available for war-diminished civilian supplies.

Such controls, quite to the contrary, can only aggravate the problem by reducing production and thus further lessening civilian supply. And the more problems the controls themselves create, the more the controls themselves must spread and multiply.

I am sure you all realize the utter complexity of price-fixing by law. We produce some 8,000,000 different items plus thousands of different kinds of services through some 4,000,000 separate business establishments not including agriculture.

Production and distribution grow through constant and cease less change. There is elaborate and comprehensive economic as well as technological interdependence of these enterprises and of the products and services. Controls slow down changes. They slow down the adaptive process. They retard innovations and new enterprises.

Furthermore, controls divert managerial, supervisory and administrative business talent and time from production to attempts to find out what the rules and regulations mean and how to comply with them. The Office of Price Stabilization in many cases has had to "extend the time" for compliance. Orders and directives are followed by new orders, amendments, and amendments to amendments. The Office of Price Stabilization has had to issue untold exemptions. But these exemptions themselves get the stabilization authorities in trouble.

Even small companies may make one thousand, two thousand, five thousand or even more products. Some companies make upward of several hundred thousand different items or combinations of items. This product mix is undergoing constant, ceaseless change.

The task of government price-fixing and price-controlling in the face of this complicated pattern of our modern industrial society is truly an appalling one. It would be a miracle if it could succeed.

To get at the basic realities of inflation, we must really tighten up on Federal spending, curb public and private credit expansion, and increases taxes where they will most help to take the pressure off markets already un-

Continued on page 43

*Part of a statement by Mr. Steinkraus before the House Banking and Currency Committee, Washington, D. C., May 31, 1951.

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Keeping the Power Program On Schedule

advance allotments so that projects can be approved to use materials beyond a single quarter. In addition, we expect to have ratings which can be used to get the essential equipment and materials to go with the copper, aluminum and steel allocated.

Our fourth quarter material requests will be submitted on June 20. All fourth quarter projects should be submitted to DEPA prior to that date.

I would now like to comment on another major part of DEPA's activities, namely, tax amortization. There has been some delay in developing the basis for recommending percentages for necessity certificates for electric power facilities. Numerous conferences have been held with the Defense Production Administration, and we believe that we now have a working basis which will mean that action should soon be taken on the requests which we have received. As of the end of May, we had approximately 200 applications for a total of nearly $1½ billion.

The certificates which have been granted in other industries have permitted amortization on an accelerated basis in amounts ranging frequently from 60% to 80% of the actual cost of the project. We expect that the percentages granted the electric utility industry will be lower because of the consistent load growth of our industry.

Organization of DEPA

I would now like to give you a few facts about DEPA organization:

I have two deputies: Mr. James Fairman, Vice-President of Consolidated Edison Company of New York and former President of AIEE, and Mr. Ken G. Whitaker of the Electric Power Board of Chattanooga. Out of our total staff of 130 people, 28 are from privately-owned electric utilities; 11 from municipal, Federal and REA. In addition, we have people who have come to us from the Federal Power Commission, Securities and Exchange Commission, Department of the Interior, Bureau of the Budget, Army and Navy.

I am very grateful to the companies which have contributed so generously of their valuable personnel.

There are two special points which I would now like to call to your attention. The first is the necessity for all of us to have the overall view of the defense program, and the second is the responsibility which all of us have to represent adequately the electric power industry in this country.

The two ideas are closely connected. We do not want to undersell or oversell our industry. We do not want to secure too much, use unwisely, or get too soon, the critical materials on which our defense effort depends. Neither do we want to fall down on the specific job which has been assigned to us in the defense program, namely, to have power ready when and where it is needed.

I am a member of the Requirements Committee of the Defense Production Administration and I know that it is a real problem to find enough material to carry on the essential defense programs and at the same time maintain the civilian economy at a satisfactory level. In addition, there are the problems of keeping small business concerns going, preventing area unemployment and maintaining labor forces capable of taking on major defense contracts.

In the third quarter, we estimate that the direct requirements of the electric utilities and the requirements for major power equipment will total about 10% of the country's supply of aluminum; 14% of the copper, and 3% of the steel.

The aluminum industry is undergoing an expansion which by the end of 1952 will add roughly 60% to the capacity existing in June, 1950. Current plans for the steel industry call for a capacity of 117 million tons by early 1953. This is 22 million tons more than at the peak of World War II. Plans for the expansion of copper supply are directed at boosting production in foreign countries and where possible, opening new deposits in the United States.

It is our individual responsibility to organize our activities so that as much time as possible will be allowed for these increases in the production of critical materials to take place. This means postpone all unnecessary projects; effect all possible economies in design and installation and closely coordinate construction with actual load conditions.

The generating program is the heart of the entire power expansion. Every effort will have to be made to reduce other uses of material so that the major power equipment program can go through on schedule.

It will be a serious mistake for us to assume that everyone appreciates the importance of electric power in the defense effort. We in DEPA have been telling the story of our industry to the people who occupy the highest positions in the defense agencies in Washington. We have pointed out that in 1944, at the peak of World War II, the gross national product in this country was nearly $300 billion. Last year, the gross national product was again nearly $300 billion but the kilowatt hours required had increased by 43%.

More Use of Electric Power

We have emphasized that in 1944 the average worker in American industry used approximately 5 kilowatt hours for every man-hour. But last year he used nearly 7 kilowatt hours for every man-hour—an increase of 40%.

We have told them that the average home in American used 1,151 kilowatt hours in 1944, but last year the average home used 1,830 kilowatt hours, a gain of 60%.

We have told this story because we want all of the defense officials to fully understand how much more important electric power is in this country today than it was in World War II.

We have also told them facts about our industry that all of you know, namely, that we need two to three years to get generating equipment installed; that we do not deliberately over-expand, that we follow load development on an individual service area basis, and take the necessary steps to make sure that power is available.

We have particularly emphasized that rationing electricity for any extended period of time can only be accomplished by curtailing industrial production. We have stated that brown-outs are psychological and result in no worthwhile saving. We have not recommended nationwide daylight-saving time because the saving is small and unevenly divided across the country.

These top people in Washington have told us that they have only so much material; that all industries consider themselves important, and that their job is to work out the maximum coordination so that we will not have in this country plants finished and ready to run, with no power to supply them; nor should we have electric power plants ready to run without loads ready to be served.

We in DEPA will have the front-line job of adequately presenting the electric power story to the other defense agencies, but each of you has the responsibility of keeping the people you know, and the community you serve, informed on the vital need of electric power in this defense effort and of the steps that are being taken to meet that need.

We are headed into a period when materials, equipment and tempers are going to be short. We will need to be long on performance, productivity and public relations.

David D. Pliner With Wm. E. Pollock Co.

BEVERLY HILLS, Calif.—Wm. E. Pollock & Co., dealers in U. S. Government securities, underwriters and dealers in state, municipal, housing authority, revenue, railroad, public utility, industrial bonds and equipment trust certificates, announce that David Dudley Pliner has joined their Beverly Hills office, 232 South Beverly Drive. Mr. Pliner was formerly with Salomon Bros. & Hutzler in New York City.

Continued from first page

A Look Ahead at Utility Financing

fecting the financing of your electric power and light industry and perhaps to inspire programs for appropriate action on your part and to a degree on the part of your regulatory bodies. I believe that our national Defense Program, if it is not to ruin us economically, must be accompanied by industry programs designed not only to complement the national effort to protect against foreign aggression but designed also to protect management, labor and investments from the perhaps unintentional adverse by-product effects of the national effort.

Increased Facilities—A $7 Billion Job

It seems clear to me that the single most important job before the electric power and light industry is to create the facilities required to serve the estimated future demand for electricity. Stated in a banker's terms rather than in kilowatts or miles of wire, this is a $7 billion job in the three years 1951, 1952 and 1953. It is a big job. By comparison the widely publicized expansion of the steel industry will require $2½ billion in the two years 1951 and 1952. Despite its size, I have no doubt that your enormous program of expansion can be and will be financed. In truth the program must be financed and completed, because without the necessary facilities for the production, transmission and distribution of electricity, the programs of all other industries which contemplate bringing production facilities for the defense effort into existence would come to naught. They cannot function without electricity. The alternative is government rationing of electricity, which will work hardships on residential consumers—non-essential to the defense production program—and add sympathetic listeners to the arguments which are made continually by the proponents of government ownership of the electric power and light business.

In the three years 1948, 1949 and 1950 you did a six billion dollar job of expanding, and it was well done. On the basis of this past experience, it may be estimated that one-third of the seven billion dollars now needed will be generated internally by your industry, and two-thirds, or approximately four billion, seven hundred million dollars, will come from investors. This two-thirds will be divided about three billion from the sale of debt securities, approximately seven hundred million from the proceeds of preferred stock, and very close to one billion dollars from the sale of common stock.

The sale of the debt securities will present no unusual or particularly difficult problems. Present indications are that the rent for the money will be approximately ½ of 1% higher than was paid in the 1948, 1949 and 1950 period. At these new levels, I expect that you will find important groups of investors more active purchasers of your bonds than they were in the past. Small and medium size insurance companies, fraternal societies, colleges, hospitals, and pension funds, which elected to retain cash or invest in government bonds when the return on your long-term bonds was below 3%, will again be in the market for your bonds. Private placements or direct placements with small groups of large insurance companies may be less frequent.

Streamlining of SEC Registration Procedure

This possibility suggests that it would be timely for representatives of this association, in collaboration with representatives of the trade associations for security dealers, to explore with members of the Securities and Exchange Commission the possibility of simplifying and streamlining the requirements for registration under the Securities Act, which is a prerequisite for public offerings of your securities. A procedure whereby debt securities which are rated Baa or better by two of the three nationally recognized security rating agencies could be effectively registered under the Securities Act in say 24 hours upon the filing of a one-page registration statement which would also serve as a prospectus and upon an agreement that the debt securities so registered would be listed on a national securities exchange, thereby assuring the future availability to complete information respecting the issuing company, would be of immeasurable assistance in the raising of this three billion dollar segment of your requirements. I am advised that, assuming financial statements are audited and up to date, such a procedure could be worked out within the range of the Commission's existing powers.

The preferred stock portion of your requirements has presented problems for some of you at times during the past three years, and you may expect that it will continue to do so. However, the somewhat higher dividend rates which investors will demand on preferred stock will also open new sources of capital. Perhaps a range of from 4.25% to 5% will be the area of cost in which most of you will find that investors will take your preferred stock. The temptation to raise disproportionate amounts of the new capital required during the past three years by means of less costly debt financing, which is the easier thing to do, was resisted. I urge each of you to continue to resist it—despite tax inducements. The sound capitalization which as an industry you enjoy today and which you must perpetuate as you grow and expand is one of your strongest bulwarks in slowing and finally stopping the entry of various types of political subdivisions into the electric utility business.

The foregoing viewpoints are based on my assumption that the policies of the United States Treasury Department and the Federal Reserve Board, formulated after many months of discussion and at times acrimonious debate, contemplate the continuance of relatively low interest rates. The new policy which became effective toward the end of last February, presently involves a somewhat higher interest rate than had previously been effective and a less rigid control of the prices of government bonds. As a result, interest rates should reflect to a greater extent than was previously true, although not completely, the relationship between the supply of and demand for money available for investment in long-term debt securities.

They are also based, and to an important extent, on the assumption that approximately one billion dollars of new capital will be provided in the electric power and light industry from the sale of common stock during the next three years. This large sum will be required over and above the estimated internally generated two billion, three hundred million dollars to maintain the sound investment status of your debt obligations and preferred stocks. The sound investment status must be maintained if you are to be successful in raising senior money at the costs which I have indicated. Indeed, in the case of a few companies in your industry, additional common stock equity will have to be provided if the senior securities are to be sold at any practical interest or dividend cost.

Market for Common Stocks

The major markets for your common stocks during the past three years have been individual investors and investment trusts. I would expect this to continue to be the case, although here again other types of investors are becoming more broadly interested in your securities. For example, New York State, which is the home of several of the largest life insurance companies, has recently enacted legislation which makes it possible for these life insurance companies to invest in common stocks. Another example is the enactment in 1950 of the amendment to the New York State Personal Property Law, which broadened the investment power of trustees to cover many other securities, including common stocks, subject to the so-called "prudent man" rule. Pension funds, which as we all know are growing by leaps and bounds, also represent an important market. An examination of the pertinent facts, with the assistance of economists in whom I have confidence, leads to the conclusion that it would not be at all unreasonable to expect that personal savings throughout the nation may aggregate sixteen billion dollars in 1951. There are those who have the opinion that under certain circumstances the figure could be larger. In 1950 additions to liquid savings by individuals, not including changes in personal debt, were about thirteen billion dollars. About 52% of these savings went into insurance company and pension reserves or directly into securities. I cite these figures because so many of you in the electric utility business, as well as executives in other lines of business comprising the industry of the nation, ask their bankers, "Where is the money coming from?" The money is available for investment. There is no question about that. The real question is, how are the electric utilities going to obtain that portion of the money available for investment purposes which they require for their program in the face of the competition from other segments

Continued on page 29

Bond Club of New York

Gerald B. West, *Stone & Webster Securities Corporation*

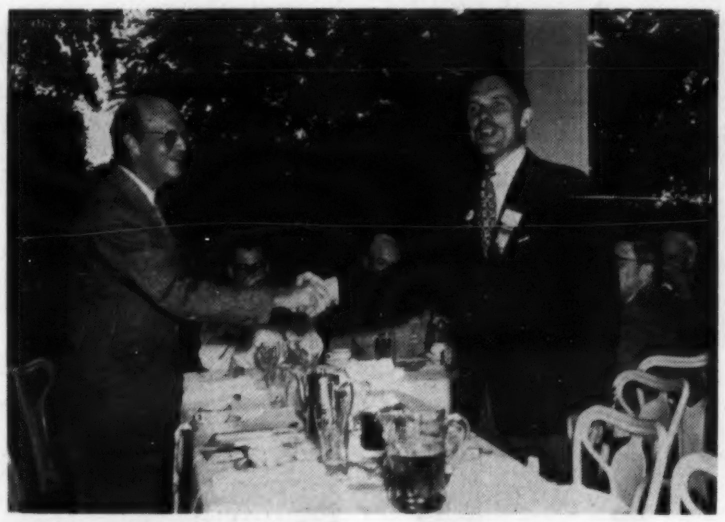
Charles L. Morse, Jr., *Hemphill, Noyes, Graham, Parsons & Co.;* William M. Rex, *Clark, Dodge & Co.;* Austin Brown, *Dean Witter & Co.,* New York City

P. Scott Russell, Jr., *Glore, Forgan & Co.* (Chairman of the Bond Club Field Day)

Clarence W. Bartow, *Drexel & Co.,* New York City; James J. Lee, *Lee Higginson Corporation,* the newly elected President of the Bond Club; A. Sidney Norton, *Bankers Trust Company;* Gerald B. West, *Stone & Webster Securities Corporation*

Richard de La Chapelle, *Lee Higginson Corporation;* Joshua A. Davis, *Reynolds & Co.;* Harold W. Gillen, *Gillen & Company*

Harry C. Clifford, *Kidder, Peabody & Co.;* Robert J. Lewis, *Estabrook & Co.,* New York City



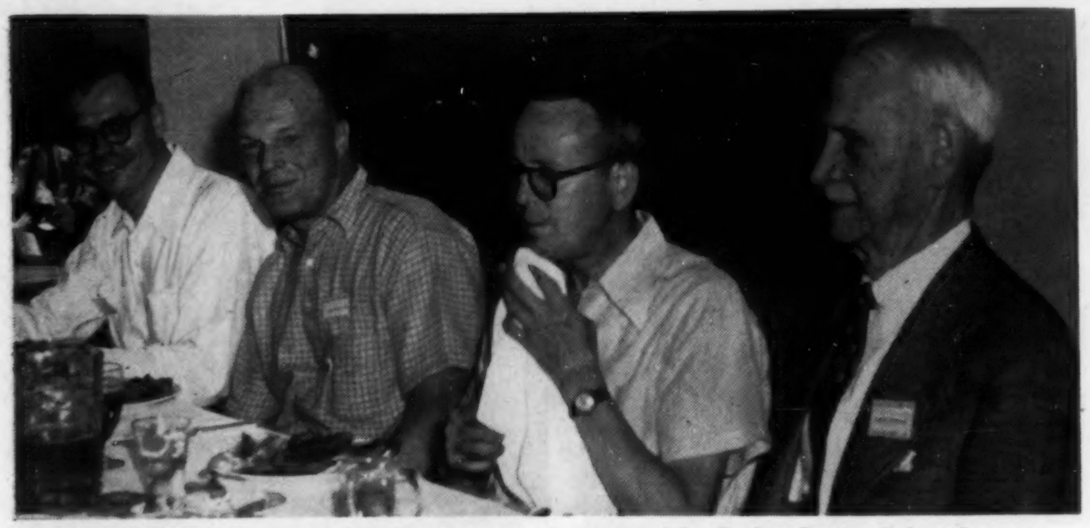
David Brown McElroy, *J. P. Morgan & Co. Incorporated,* shaking hands with James J. Lee, *Lee Higginson Corporation,* the incoming President of the Club

Edward H. Robinson, *Schwabacher & Co.;* Edwin L. Beck, *Commercial & Financial Chronicle*

Penn Harvey, *W. E. Burnet & Co.;* Arthur Jansen, *J. R. Williston & Co.;* Reginald W. Pressprich, Jr., *R. W. Pressprich & Co.*

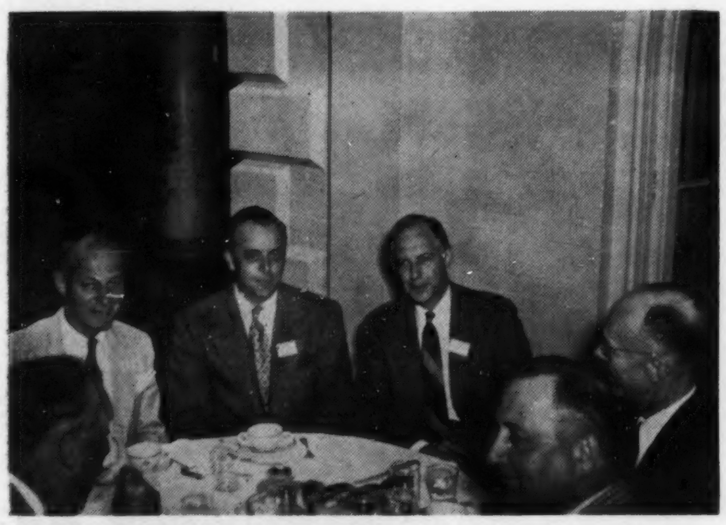
William H. Long, Jr., *Doremus & Co.;* John J. Cronin, Jr., *Shearson, Hammill & Co.;* Harold Bunce, *World-Telegram & Sun;* Howard Murfin, *Doremus & Co.*

Twenty-Seventh Annual Field Day

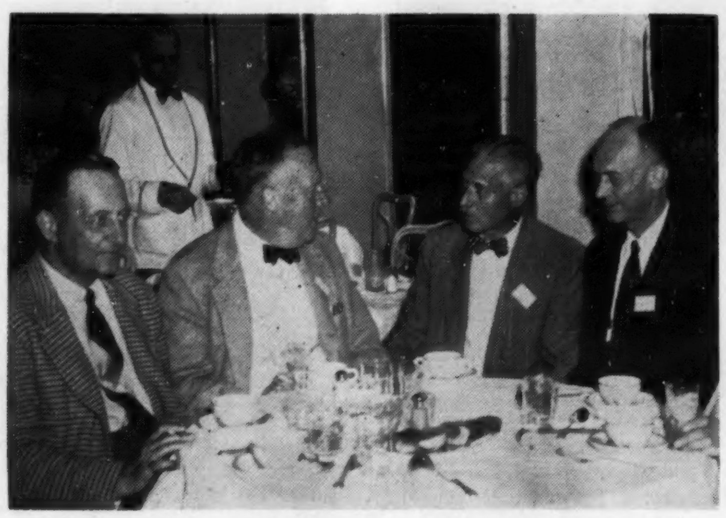


Donald Whitney, *Commercial Union Assurance Company;* John Barbey Lewis; Robert Lamont, *Kidder, Peabody & Co.;* Sam S. Spalding, *Kidder, Peabody & Co.*

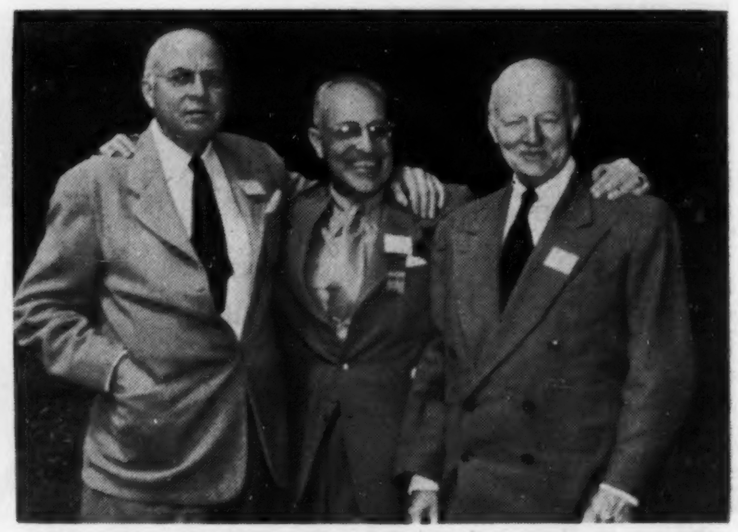
Victor H. Graymount; Paul Franklin Hay, *W. C. Langley & Co.;* Col. Oliver J. Troster, *Troster, Singer & Co.;* E. Jansen Hunt, *White, Weld & Co.*



Robert H. Craft, *Guaranty Trust Company of New York;* Maurice A. Gilmartin, Jr., *Chas. E. Quincey & Co.;* E. F. Dunstan, *Bankers Trust Company*



George T. Purves, *Hemphill, Noyes, Graham, Parsons & Co.;* J. Taylor Foster, *Lee Higginson Corporation;* Stuart R. Reed, *Paine, Webber, Jackson & Curtis;* Parker Monroe



Henry Holt, *Kidder, Peabody & Co.;* B. Winthrop Pizzini, *B. W. Pizzini & Co., Inc.,* John Nickerson, *John Nickerson & Co.; Incorporated*

Arthur Nelson, *Burnham and Company;* James C. Warren, *A. M. Kidder & Co.;* Otto de Neufville, *Swiss American Corporation;* Henry Herrman, *Henry Herrman & Co.*

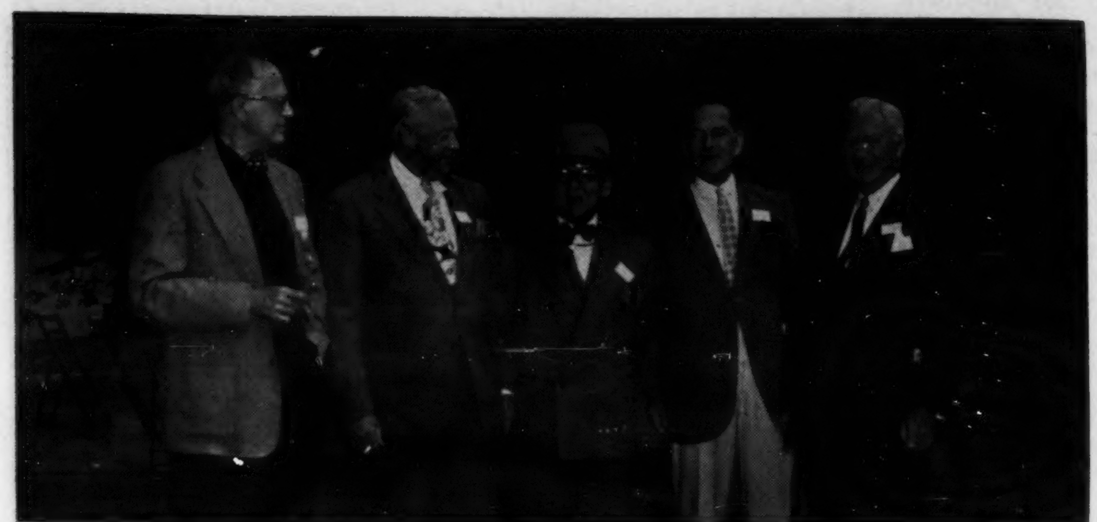
Schuyler Van Vechten, *Lee Higginson Corporation;* Harry C. Clifford, *Kidder, Peabody & Co.;* Karl P. Herzer, *R. L. Day & Co.,* New York City; A. H. Busby, *Green, Ellis & Anderson*

Clayton du Bosque and Henry G. Riter, 3rd, *Riter & Co.,* trying on the mystery prize for size (they didn't win it)

Thorburn Rand, *Rand & Co.;* Roger Bayles, *Home Insurance Co.;* Boonie Richmond; David Van Alstyne, Jr., *Van Alstyne, Noel & Co.*

Donald S. Stralem, *Hallgarten & Co.;* Stanley R. Miller, *Goldman, Sachs & Co.*

Friday, June 8, 1951



John A. Straley, *Hugh W. Long and Company, Inc.*; Walter C. Veigel, *Halsey, Stuart & Co. Inc.*; Theodore Prince; Paul Franklin Hay, *W. C. Langley & Co.*; Clifford Hemphill, *Hemphill, Noyes, Graham, Parsons & Co.*

Robert W. Fisher, *Blyth & Co., Inc.*; Charles J. Hodge, *Glore, Forgan & Co.*; John Wasserman, *Asiel & Co.*; George E. Nelson, *Bonner & Gregory*; Frederick A. Krayer, *E. W. Clark & Co.*, New York City; Edward Lloyd, Jr., *First Boston Corporation*

Barbara ("Rusty") Abernethy, pitcher for the Raybestos Baseball Club; C. Russell Lee, *Reynolds & Co.*; Margaret ("Toots") Nusse, the winning pitcher for the Arians Baseball Club; R. H. Plant McCaw, *Smith, Barney & Co.*

Joe Kirkwood (trick shot artist); Edwin L. Beck, *Commercial & Financial Chronicle*; Al Collins (pro at Sleepy Hollow Club)

E. Norman Peterson, *Equitable Securities Corporation*, New York City; William H. Culbertson, *Merrill Lynch, Pierce, Fenner & Beane*; Norman P. Smith, *Merrill Lynch, Pierce, Fenner & Beane*

George T. Flynn, *Hornblower & Weeks*; William H. Morton, *W. H. Morton & Co. Incorporated*; Leo A. Kane, *National City Bank of New York*; Eugene Treuhold, *L. F. Rothschild & Co.*

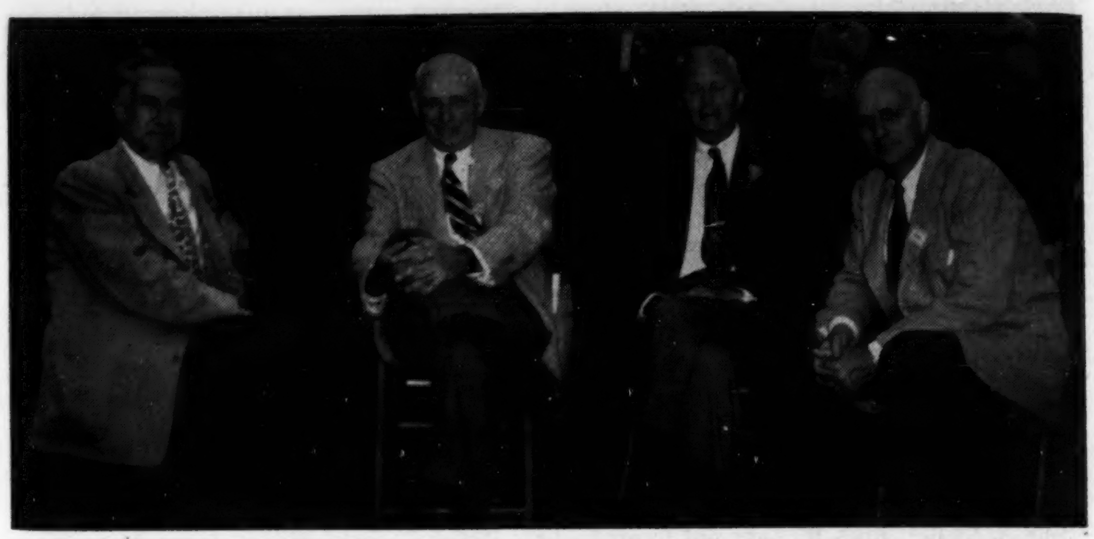
J. W. Maitland; John M. Lee; George N. Lindsay, *Swiss American Corporation*; Samuel Goldschmidt

J. B. Whitley, *Halsey, Stuart & Co. Inc.*

Sydney Duffy, *Blyth & Co., Inc.*

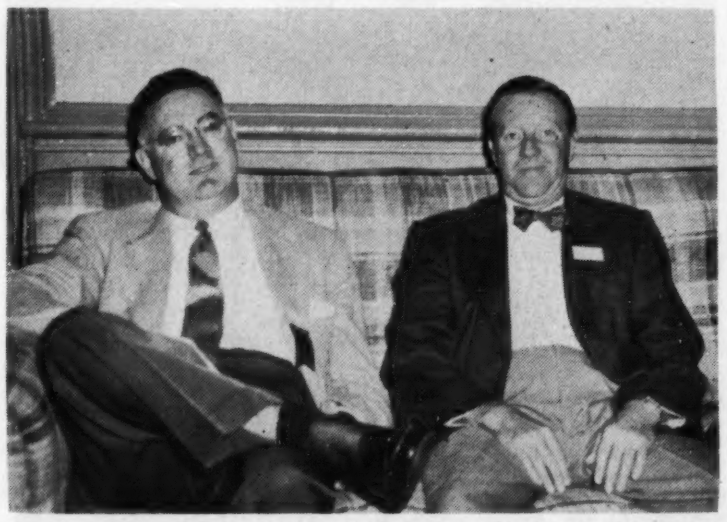
At the Sleepy Hollow Country Club

Stanley A. Russell, Jr., *Blyth & Co., Inc.;* Elwood D. Boynton, *Hallgarten & Co.;* Jansen Noyes, Jr., *Hemphill, Noyes, Graham, Parsons & Co.;* Blancke Noyes, *Hemphill, Noyes, Graham, Parsons & Co.*



Milton C. Cross, *Harriman Ripley & Co., Incorporated;* Phillips Barbour, *The Bond Buyer;* T. A. Norworthy, *Bronx Savings Bank;* F. Kenneth Stephenson, *Goldman, Sachs & Co.*

Van Dyk MacBride, *MacBride, Miller & Co.,* Newark, N. J.; Ellsworth Erb, *Kidder, Peabody & Co.;* John H. C. Templeton, associated with *Dudley F. King*



Eugene P. Barry, *Shields & Company;* Charles G. Terry, *Terry & Company*

John L. Gaerste, *Cooley & Company,* Hartford, Conn.; Robert G. Dillon, *Dean Witter & Co.;* Edward Lloyd, Jr., *First Boston Corporation*

George P. Rutherford, *Dominion Securities Corporation;* Walter W. Cooper, *F. S. Smithers & Co.;* Arthur D. Lane, *Chase National Bank of the City of New York;* Philip K. Bartow, *Wood, Struthers & Co.*

Harley A. Watson, *Eldredge & Co., Inc.;* William P. King, *King, Quirk & Co.;* Ernest J. Altgelt, Jr., *Harris Trust & Savings Bank,* New York City; Eugene G. McMahon, *Heller, Bruce & Co.,* New York City

R. Donald Gibson, *Hirsch & Co.;* Arthur L. Hawley, *Lionel Edie & Co.;* Louis H. Ingraham, *L. H. Ingraham & Co.;* Edge Vinson, *De Haven & Townsend, Crouter & Bodine,* New York City

Earl K. Bassett, *W. E. Hutton & Co.;* Elliot Bliss, *Morgan Stanley & Co.;* Walter H. Weed, Jr., *Union Securities Corporation;* Ira B. MacCulley, *Equitable Securities Corporation,* New York City; Raymond D. Stitzer, *Equitable Securities Corporation,* New York City

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A Look Ahead at Utility Financing

of industry which are also hot after the investor's dollar?

Earlier in these remarks I said that the single most important job is to create the facilities required. The facilities cannot be created unless the necessary money is available. I have stated that I believe the senior financing to provide the bulk of the new money is feasible on reasonable terms if the equity or common stock money is made available. Thus the keystone to the consummation of the job appears to be the raising of one billion dollars over the next three years through the sale of common stock.

In approaching this most important phase of the general question of utility financing, I shall continue to address you from the broad viewpoint of the industry as a whole, although I recognize that the questions discussed are of varying importance in the individual companies comprising your industry. The management of each individual company should evaluate his own situation in relationship to the industry as a whole, and perhaps explore his particular set of facts with his investment banker or his financial adviser before arriving at a final conclusion as to what, if any, steps he should take to consummate his program for common stock financing during the 1951, 1952 and 1953 period which we are discussing.

The requirements to assure success in selling your common stock, it seems to me, are threefold. As I see them, they are, first, adequate rate increases, second, reasonable cash dividends, and third, enthusiastic cooperation from the nation's security dealers.

On the subject of rate increases: I believe I speak for the broad cross-section of informed investors when I say to you that from the standpoint of the common stockholder—the owner of the business—your rates, generally speaking, are too low.

Question of Rate of Return on Investment

In the three years ended Jan. 31, 1951, the net investment in electric utility plant increased by about four and a quarter billion dollars, or 39%. In this same period net electric operating revenues increased by about one hundred ninety-five million dollars, or about 26%. The incremental return on the incremental investment comes to 4.6%. While these figures are approximate, it seems undeniable that the electric utility industry has not been obtaining a sufficient return on its additional investment. And in commenting specifically on the income from this recent investment by your industry I do not intend to imply that, generally speaking, the rate of earnings on the plant as it existed prior to 1948 was adequate or satisfactory. In the latest tax bill the Congress recognized 6% as the rate utilities should earn. It seems to me that it is important for you to follow this up on the level of the state and city regulatory bodies. The normal and completely understandable distaste for attacking the problems incident to obtaining rate increases must be overcome.

You are fortunate in this industry in having an excellent trade association, the Edison Electric Institute, which has a fine statistical organization. I urge you to study the charts and tabulations which are thoughtfully and carefully prepared by that organization. They should be used in educating your consuming public—as well as your employees—to an understanding of the need for rate increases. They also provide unanswerable arguments for presentation to your regulatory bodies.

Applications for rate increases in these days of rising costs should be presented before the earnings available for dividends are adversely affected, before the quotations for your common stocks decline, and before the salability of additional common stock is impaired.

The technique of interim rate increases should be used more frequently if the technical problems incident to a decision on a permanent increase are unusually burdensome. The increases applied for and those which are granted should not be in the lower level of the so-called zone of reasonableness, but should recognize the generally upward trend in operating costs and new capital costs which actually continue during the course of a hearing incident to an application for a rate increase.

Many rate increases have been applied for and many increases have been granted during the past few years, and I do not wish to minimize what has been accomplished with the intelligent cooperation of many of the regulatory bodies. However, if present plans are to be carried to a successful conclusion, you will superimpose a $7 billion expansion during the coming three years upon a $6 billion expansion during the past three years, and the compensation for the service rendered by the facilities recently added and those which are presently to be added must in all fairness reflect the inflation in costs which has occurred and which is continuing. Otherwise it is quite clear to me that we bankers will not only have difficulty in persuading investors to make an additional billion dollar investment in the common stock equities in your industry in competition with the investment possibilities of other segments of the national economy, but we will encounter unwillingness on the part of some of your existing common stockholders to continue their investment. No businessman owning and operating his own business would continue to expand if, because of an increase in overall costs, despite the institution of every operating economy and operating efficiency which his ingenuity could devise, he would still have an inadequate rate of return on his total investment.

The Dividend Question

In stating my views with respect to dividends on common stock right on the heels of the viewpoints I have expressed with respect to your rates, I realize that it may be said that there are plenty of difficulties attendant upon obtaining permission to increase rates without injecting the question of increasing dividends. Nevertheless, it is a question which should be explored in any discussion of utility financing.

One of the many valuable assets you as an industry have created is a confidence on the part of your common stockholders that your dividends are safer and are more likely to be paid in moderately bad times than the dividends on common stocks in many other industries. This is one of the reasons I believe you are going to be able to market your common stocks during the next three years. It is an asset which must be preserved. However, I cannot accept the concept that there is something unholy about an increase in the rate of common stock dividends where a reasonable increase is indicated.

Customers of the electric utility industry have had their dividends so to speak—in 1950 the level of residential rates was down 25% as compared with 1940, while practically everything else they bought was up 78%. Even a wave of generous rate increases would still leave electricity in a very favorable position as compared with any other necessity which your customer buys. Employees have had their dividends increased in the electric utility industry in that their unit of wages in 1950 was 183% of that in 1940. The Federal Government has had its dividends increased inasmuch as Federal taxes paid by the electric utilities in 1950 took about 12.3 cents of the gross revenue dollar, whereas in 1940 the comparable figure was 8.3 cents—the increase is over 48%. On the other hand, common stock dividends paid by electric utilities took 14.2 cents of the gross revenue dollar in 1940 and in 1950 that figure was reduced to 11.3 cents out of each dollar.

Yield is an important consideration in weighing the relative attractiveness of common stocks, particularly in the case of the regulated electric utility industry where chances of capital gains are not as great as in other industries, and your dividend policies should be reviewed with this in mind. Dividend policies should be arrived at against the basic philosophy that you will be able to maintain the dividend rate even in times of moderately bad general business. I do not think your dividend policies should be particularly related to your construction programs. It seems entirely clear to me that, unlike some industries, yours is one where cash conserved by following an exceedingly conservative dividend policy represents no important percentage of the requirements for new equity capital. The electric utility industry paid out in the past three years, 1948, 1949 and 1950, approximately 70% of earnings available for common stock dividends. Included in this overall average are some companies paying more than 90% and some under 60%. With the growing interest of trust funds, pension funds and insurance companies in common stocks, managements of electric utility companies would be well advised to put their best foot forward on this dividend matter in the competition to attract such investors. Generally speaking your common stock financing will be facilitated by paying out as cash dividends up to perhaps 80% of the available earnings.

Needed Cooperation of Security Dealers

My third requirement is enthusiastic cooperation from security dealers. There are a small number of companies represented here, probably not more than 8 or 10, whose common stocks are so well known and so highly regarded that they really have little need of educational assistance from security dealers. These are the exceptions. Most of you require the facilities which are provided by security dealers throughout the country for the education of the investing public. You have done an exceedingly good job of educating the security dealers, particularly those located in the areas in which you operate, so that they are in position intelligently to discuss your business and your securities with their customers—the investors. Looking forward to the task you have before you, it continues to be important for you to circulate among security dealers and to tell your

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A Look Ahead at Utility Financing

story to them over and over again whenever an opportunity presents itself. After all, security dealers do represent a primary channel of approach to investors.

I did not make the trip out here to Denver to burden you with the present-day troubles and difficulties of a security dealer, and I do not intend to do so. However, may I observe that we security dealers are going through a rather trying phase. On the one hand, 17 of us are currently defending ourselves in a Federal court against charges of conspiring to restrain and monopolizing the business of negotiated underwriting of securities, brought by the Department of Justice. On the other hand, the 17 unfortunate defendants, plus many, many other security dealers, are continuously competing with each other in an effort to be of service to you gentlemen in the underwriting and distribution to investors of your debt securities and your preferred and common stocks. In many instances satisfactory past relationships between the management of an issuing company and a security dealer, which brought about a rather intimate knowledge of the business and particular problems of the issuing company by the security dealer, are being disregarded. The fact that a given security dealer or group of dealers assisted in solving a complex problem or consummated a difficult job of financing in trying or unsettled times all too frequently seems to be forgotten. The particular qualifications of an individual security dealer or group of dealers to handle a particular job in the most intelligent and experienced fashion receive little consideration. Too often, the sole and only factor in the final determination of the underwriting and sponsoring security dealers is the question of price—the highest conceivable price to the investor and the lowest possible compensation to the security dealer.

I submit that generally speaking with respect to common stock, and quite often with respect to preferred stock, you managers of the electric power and light utilities of the country facing an equity money-raising job of magnitude might be well advised to throw a few factors on the scales in addition to price. When you are buying legal services, accounting services, engineering services, and when you are making contracts for important items of equipment, I know you give thought to experience, knowledge of the problem, and a record of ability to render the service required. I suggest that it may be desirable to approach your relationships with your security dealers on the same basis. The judgment in the matter of offering price or security dealer compensation of the lunatic fringe of the investment banking industry who try to commit suicide by working for nothing—yes we have a lunatic fringe and there have been occasions when my firm has been part of it—does not necessarily represent the wisest course which could be followed. Security dealers are being inadequately compensated for risks which they are taking, and they are performing services for fees which in many cases actually fail to cover the costs they incur in connection with those services. I am sure that out of the present unhealthy situation a more reasonable pattern will eventually emerge.

Management Participation in Ownership

Many investors, both individual and institutional, feel that their interests as stockholders are more likely to be given appropriate consideration if management is sitting right beside them as stockholders. Everyone appreciates that it is difficult for an individual to accumulate capital with personal income taxes as they are and investors are not thinking in terms of the dollar value of management's investment as much as they are thinking of the principle involved. A review of the proxy statements on file with the Securities and Exchange Commission indicates that a surprisingly large number of the officers and directors of electric utility companies, particularly of those which have been disposed of by holding companies in the past six years, have zero holdings of the common stock of their company. I believe that you would achieve a very real benefit, impossible to evaluate exactly, but nevertheless a benefit, if between now and the time your next proxy statements are in the mail your officers and directors were to become common stockholders in your companies in an amount related of course to their individual resources. Along these same lines, the practice of encouraging employee ownership is becoming more and more widespread in manufacturing companies. Enlightened managements of industrial concerns which enjoy the best relationships with union representatives and with employees are instituting plans, varying in detail, under which machinery is set up for employees to purchase common or preferred stock either outright or on a partial payment plan. I would think this a fertile field for exploration and study in the electric utility business.

I, as a security dealer, have been talking to you as management of the privately owned — invester owned—electric utility industry. Now, for a very few concluding minutes, I would like, as an American citizen, to talk to you as a group of American citizens. In the Army there was an expression, "the accident of assignment." Some men are assigned to the Pentagon Building and other business or administrative desks where papers fly "fast and furious" and the red tape gradually unwinds. Others are assigned to combat areas where the bullets fly. The men have no vote in the matter. Whether they are out in front fighting or in the rear shuffling papers is an accident of assignment. You gentlemen are out in front—in the combat area—in the struggle to keep our government out of business. That is your assignment as citizens even though it was not of your own choosing.

The presence of tax-exempt, unregulated political subdivisions of our government in the electric utility business on a permanent and enduring basis—without a uniform system of accounting—is wrong. The authorities, districts, departments, commissions, counties, cities and townships should not be in business under a capitalistic system. That is the beginning of a socialistic system, and when it begins no one can tell where it will end. The rank and file of your employees will be working for government. Your regulatory bodies will be out of business. Perhaps the ultimate goal should be to vest the ownership of forward looking government hydroelectric developments and the responsibility for their management in corporations which would contribute their fair share to the tax revenues at all levels of government and would be regulated by the Federal Power Commission or appropriate state regulatory bodies. Then as opportunity presents itself the entire capitalization of these corporations should be sold by government to the nation's investors. In this manner our government would over the years constantly revolve the money it employs in the electric business and instead of continually adding to the tax-exempt undertakings throughout the land it would stabilize them at a figure—and possibly gradually reduce that figure.

It was heartening and encouraging to see you aggressively present your case to Congress at the time the tax bill was in the making last fall. In addition to the tangible results of that effort there were intangible pluses in the favorable impression made on your stockholders. Keep closing your ranks and aggressively working together — and with other segments of industry—for the things that you believe are right. You have a double responsibility: On the one hand you have this responsibility to prevent the gradual transfer of privately owned businesses into the fold of government ownership and management. In this struggle I believe that the best combat area is the locality in which your companies operate and in which the tax exempt, politically owned property would operate. Here is the point of contact between the opposing forces. Appeasement or compromise with socialistically minded supporters of government in business is useless—new demands will soon appear. On the other hand, as administrators of your companies you must adequately serve the areas in which you operate; you must maintain your sound capitalizations; you must negotiate necessary rate increases with your rate-making bodies; you must promote the best possible relationships with your employees and your customers. In other words, you must keep strong and healthy so that you can grow with the country. As citizens, as well as members of your industry group, you have a very real responsibility and a very real opportunity.

Clyde Evans Joins The Illinois Co.

CHICAGO, Ill.—Clyde H. Evans has become associated with The Illinois Company, 231 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Ames, Emerich & Co. for many years.

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method whereby we can hope to satisfy both civilian and military needs . . . the complete pressure of national thought and desire is behind the mechanization trend.

The increase in our industrial sales over the coming decade is also based on the bright growth prospects for five major power-consuming industries — steel, paper, non-ferrous metals, petroleum and coal products, and the chemical industry. All of these industries use huge blocks of power. While the growth index for American industry is predicted to reach 230 by 1965, based on the 1935-39 average, the index for these five industries is expected to top 320.

We are talking, of course, about out most competitive category of sales . . . yet, I believe we can take an optimistic view over who is going to supply the substantial increases in large light and power demand. We are going to do it.

In other words, I do not believe that the isolated plant is going to be a major problem for the future. It isn't a question of producing a kilowatthour cheaper. In an era of tremendous industrial growth, the question for the average industrialist is how can he most efficiently use his capital. His problem is to expand, to increase production. If 60 cents of invested capital in production machinery will give him one dollar in annual sales, he will think long before building his own power plant . . . because, in effect, he will be investing five dollars to gain a similar result. Aside from that, he also knows that his isolated power plant will be of value only to the extent that he can use the electricity produced. He is in no position, such as we are, to easily assume the risk of curtailment. We, at least, can sell elsewhere, or we can close down older, higher cost generating units. But if the individual industrialist suffers a drop in demand, his isolated plant becomes dead weight.

When we approach the subject of our industry's capacity to meet the future, I think it is a tremendous compliment to our efforts over the past decade that today there are far fewer dire prophets of shortage. An outstanding job has been done all along the line. When we entered World War II, the manufacturers of generating equipment in this country had an annual production capacity of less than 3,500,000 kilowatts. Today, they can produce at an annual rate in excess of 8,500,000 kilowatts, and they expect to step this up to 12 million kilowatts by 1952.

The nation's generating capability last year was 71,100,000 kilowatts, providing nearly an 11% margin over peak load. In 1954, generating plants contributing to the public supply of electricity will be capable of carrying a load of 102 million kilowatts. With an expected peak of 86 million kilowatts, the margin will be 18.6%.

This peak of 86 million does not, of course, contemplate an all-out war. But we are in better shape today for such an eventuality than we were in 1940. Our available capacity is about 70% greater. We are adding to that capacity faster. Our equipment is newer, more efficient, and it can handle greater overloads for longer periods without undue risk to continuity of service. Today, almost a third of our capacity is less than 5 years old . . . 10 years ago, only 14% was less than 5 years old.

The interconnections between systems have been expanded, to the end that each kilowatt of capacity is more effective over a wider area.

In addition to all this, we have the experiences of World War II behind us, and they gave us many lessons in how to obtain and sustain capacity where we once thought it did not exist.

The Industry Geared for Expansion

Yes, we are as ready as any industry—and more so than most — for whatever tomorrow may bring. We have no conversion problem. A kilowatt has no conscience; it can help produce, with equal facility, an airplane or an automobile, a gun turret or a refrigerator.

There is a quality about the management of our industry, too, that bears comment. We have achieved progressive flexibility in our thinking and planning, an attitude that expresses itself in ready willingness to change, to expand, to raise our sights rapidly to meet new conditions as they appear. At the end of 1949, there were 26 million kilowatts of new capacity definitely on the planning boards. Today, there are 41 million . . . 23 in the years through 1953, 18 in the years immediately following. In one year, the sights had been raised by 15 million kilowatts. ("Electrical World" estimates.)

If you examine the planning for new capacity, you will note that private power dominates the building picture. However, starting with 1952, government new capacity looms larger, proportionately. But it is one of the great advantages of private enterprise that we do not have to solidify our projections. If, by 1953 or sooner, the indicated future load calls for greater building than we now plan, we will build.

None of this discounts the possibility of local shortages, resulting largely from spectacular defense demands. Yet, our tradition of speed may be adequate in those instances, too. I was privileged to have a part in the negotiations for one-half of the one million kilowatt load which will be required by the Atomic Energy Commission's new gas-diffusion plant at Paducah, Ky. The ability of private power companies to acquire and supply one-half of that tremendous load is a clear example of the ability of our industry generally to meet and serve the nation's needs.

More Power Interconnections

There are some additional factors for tomorrow . . . in discussing how the power demand of that day will be met. We can look forward to a continued expansion of our interconnections between systems and to higher transmission voltages. In turn, these new interconnections should have a favorable effect on both load factor and reserve. The trend for the next few years indicates slightly lower load factors . . . but, through efficient interconnection of systems, by taking advantage of the diversity of different areas of service, we can perhaps slow the trend.

Our concept of reserve is changing. Some standard will always be necessary for continuity of service . . . but, for that alone, we will require less reserve as time goes on. Our reserves will be needed more for anticipatory growth than for service continuity.

Of course, in order to maintain the growth pace which we have set for ourselves, we are faced with the problem of raising huge sums of money. Financing will continue to occupy a major share of our efforts.

Our industry has certain obvious advantages for the investor. We can offer him security, plus growth. We can offer the record of the immediate past, in which the industry survived the impact of World War II taxes with only a slight reduction in net income, and absorbed the impact of post-war inflation with substantial increases in both net and in dividend payments. We also have the current advantage of intelligent Congressional treatment in the new excess profits tax.

In many instances, however, as determined by the course of inflation in this country, we may need rate adjustments in the future to sustain an adequate return . . . to sustain a healthy, competitive position in the financing market. At the present moment, our capital ratios are generally in good shape. Yet, all indications point toward an increased cost for debt financing; as government interest rates inch upwards, ours will be forced ahead also. An increased cost for money, plus additional inflation in other categories, may well call the turn.

It is in the public interest for a public utility to take advantage of building for the future, of being always one step ahead of the community's requirements. We cannot do this without a sound and attractive position in the money market. It is, therefore, a fundamental public relations job to gain support and understanding for the

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inseparable connection between the two.

This leads immediately to a consideration of utility regulation. I think we need to go back to a restatement of the basic reasons for the regulatory process. For the electric utility business, public interest and welfare dictated the necessity for one source of supply. The prices and rates of other types of business, in normal times in our economy, are regulated by competition. In the utility business, then, proper regulation of price is simply and only a substitute for that competition. A regulated rate should be set at the level which would exist if the utility had open competition in the sale of its product.

In other words, no matter where you start . . . whether from an analysis of the basic reasons for regulation, or from the public's selfish interest in maintaining an atmosphere for sound utility financing . . . the obligation of regulatory authorities to provide fair treatment is inescapable.

As members of utility management, we, too, have an obligation in this regard—and one, incidentally, that is over and above a public information program to gain widespread appreciation for proper regulation.

Three-Fold Financial Responsibility

There is great value, I believe, in accepting and practicing the managerial philosophy that we should approach our three-fold financial responsibility in the most positive manner. As we enter labor negotiations, we . . . management . . . should hope to provide the highest figure we possibly can, not the lowest we can get away with. As we consider rates, we should hope to provide a better bargain for our customers. And as we consider investors, the question should be not how small a yield, without losing their support, but what is the best we can possibly do.

Obviously, of course, good management is not one that becomes a hero at the expense of public interest and welfare. Ours is a task of balance. The management that provides too much to any group —whether customer, employe, or investor—is creating a condition that will ultimately destroy the financial ability of that company to grow and, thus, to properly serve.

In general, the great problem for our industry in the past two decades has been its public relations . . . and, largely, as it has been interpreted in political terms and political acts. We have had some basic handicaps to good public relations. One of them, which will be with us always, is the factor of exclusive supply. The American people simply do not like to "have to" do anything.

We have been giving major attention to these public relations handicaps and problems, and there is no indication that the attention is slackening. Thus far, progress has been slow. I sincerely believe there is more recognition throughout the public of the industry's accomplishments . . . but we still have a long way to go.

I predict, however, that our progress in public relations accomplishment will accelerate. We will begin to experience the growing cumulative effect of the information and the knowledge which has been disseminated and of the many friends which we have made.

The interest of labor in the industry's problems is a heartening case in point. Only a few months ago, at a utility personnel convention in New England, Dan Tracy, International President of the I.B.E.W., had this to say: "It is my purpose . . . to bring to your attention some of the hard facts which show clearly that the expansion of the public power program represents a direct threat to the very existence of organized labor in this industry. . . . The experience of the I.B.E.W. with the destructive effects of the public power program on its interests has convinced us that we must extend every effort to retard and ultimately stop the present expansion of the public power program."

Yes, we are gaining friends in many fields. One day, the accumulation will make our efforts worthwhile.

As a matter of fact, while we are on the subject of friendships, we also are gaining them within our own industry. Years ago, our various managements were characterized by what might be called "isolated" or "provincial" thinking. In each company, we were influenced — particularly in the field of public relations—largely by the conditions existing in our own service areas. There was not as much interchange of ideas, not as much cooperative effort, as in other industries. We are overcoming this isolation. We now have some outstanding examples — in our various associations, through ECAP and other media—of excellent cooperative programs.

System interconnections are drawing us closer together as an industry, making more of our problems common problems. Electric Energy, Inc.—the joint project of five different systems to supply atomic energy power needs — is still another example.

Altogether, this is a good trend. It should be continued and expanded.

A development like the formation of Electric Energy is also an indication, a forerunner, of other great opportunities that lie before us . . . particularly, I feel, as we proceed further into the great chemical and atomic eras.

Even though we do not yet know when, or in what specific form, we cannot escape the conclusion that the world eventually will be powered with energy released by fissionable material. The possibilities are too great, too dramatic, to be ignored.

We should have no worry in this regard. This change, like every great change in history, will come slowly. Atomic power will creep down to where it is competitive, and even then equipment on hand will be of value for a long period. Remember that though the machine eventually turned the last Old Dobbin out to pasture, it was a process that took many, many years.

As a power supply, atomic energy must experience two great periods of development. The first is finding the right method to produce power. The second is the gradual supplanting of existing sources of power supply.

When Atomic Power Comes?

We are a growth industry. When atomic power supply comes, we will take it in full stride.

In summary, gentlemen, I am confident for towmorrow . . . for the immediate tomorrow of our industry, and for the years that follow.

There is, unfortunately, the great cloud of statism to reckon with . . . and it involves a battle that could well be lost on fields other than that of private versus public power. Our objective has been to inform the people of this nation that it is neither good for the government nor for the people to socialize. We must persevere in the effort, regardless of where the next move to socialize may strike. The American people have a natural resistance to statism. We must continue to let them know that individual moves in that direction can accumulate to take the power of ultimate decision from their hands. It is accepted economic theory that when government controls one-third of a nation's wealth, and takes in taxes 30% of its national income, then complete statism is inevitable. It is then that the nation has reached the point where private enterprise has lost too many managers, too much capital, too much of its ability to raise capital. It can no longer function with vigor and effectiveness. The entire system of private enterprise must pass.

We are moving to that crucial point. If we lose, so will we lose the bright prospects that are before us.

Yet, although we know this can happen, we cannot look at America as a whole, and our industry in particular, without feeling it will not come to pass. The growth which our industry has achieved . . . the great gains which it anticipates in the future . . . the magnificent talents of the people in our companies . . . all these things give us the faith and the courage for tomorrow.

In such a mood, I would like to close by reading a passage from a speech by Oliver Wendell Holmes. This was written in 1913, nearly 40 years ago. It is clear evidence that a true concept is immutable:

"If I am right, it will be a slow business for our people to reach rational views, assuming that we are allowed to work peaceably to that end. But as I grow older I grow calm. If I feel what are perhaps an old man's apprehensions, that competition from new races will cut deeper than workingmen's disputes and will test whether we can hang together and fight; if I fear that we are running through the world's resources at a pace that we cannot keep; I do not lose my hopes. I do not pin my dreams for the future to my country or even to my race. I think it probable that civilization somehow will last as long as I care to look ahead — perhaps with smaller numbers, but perhaps also bred to greatness and splendor by science. I think it not improbable that man, like the grub that prepares a chamber for the winged thing it never has seen but is to be—that man may have cosmic destinies that he does not understand. And so beyond the vision of battling races and an impoverished earth I catch a dreaming glimpse of peace.

"The other day my dream was pictured to my mind. It was evening. I was walking homeward on Pennsylvania Avenue near the Treasury, and as I looked beyond Sherman's Statue to the west the sky was aflame with scarlet and crimson from the setting sun. But, like the note of downfall in Wagner's opera, below the sky line there came from little globes the pallid discord of the electric lights. And I thought to myself the Gotterdammerung will end, and from those globes clustered like evil eggs will come the new masters of the sky. It is like the time in which we live. But then I remember the faith that I partly have expressed, faith in a universe not measured by our fears, a universe that has thought and more thought inside of it, and as I gazed, after the sunset and above the electric lights there shone the stars."

R. P. Kuhn Trustee Of Savings Bank

R. Parker Kuhn

Announcement is made today that R. Parker Kuhn has been elected a trustee of Harlem Savings Bank of New York. Mr. Kuhn is a Vice-President, director and member of the Executive Committee of The First Boston Corporation, New York City, with which he has been associated since 1923.

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Observations . . .

Dividends are paid on optioned stock which has had just a token payment, and may be applied against the purchase of the stock. In many cases there are no restrictions on the length of time that the employee must hold the stock. Stock options encourage not investment but speculation, as Economics Professor Lewis Haney pointed out in his recent column spanking stock options in the New York "Journal American."

It was with something of a shock that a stockholder found the partner of a brokerage firm which had sold her oil stock not only sitting on the Board of Directors of the oil company in which she had purchased the stock, but one of the proxies was sponsored by the management at a time when the stock option plan was being voted.

What do you think the advice of this huge brokerage firm was to its clients on how to vote on stock options which in this instance called for stockholders waiving their preemptive rights and giving away 5% of the unissued stock?

When there is a division of interest between the management and the stockholder, brokers and trustees should be accountable to represent the public stockholder interest as part of the Stockholder's Bill of Rights. These abuses of public confidence can only result in stricter government control and tightening of the SEC rules and regulations. Commodore Vanderbilt, I believe, was credited with saying, "The public be damned, I am working for my stockholders." It is highly questionable whether those who took advantage of the loophole in the Revenue Act of 1950 in the defense emergency are working for either when they scramble to get out and leave the public and the public stockholder to shoulder the terrible tax burden while they plug for other forms of taxation, such as increased sales and witholding taxes, which they can easily afford.

The Push to Socialism

Already has come the cry at annual meetings for stock options for all employees, not just the selected group. Is this to be another round-robin like the pension plan? Stockholder organization is needed if private enterprise and the capitalist system is to survive our patrioteers.

WILMA SOSS,
President of the Federation of Women Shareholders in American Business, Inc.

New York City

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Laird, Bissell & Meeds, 120 Broadway, New York, N. Y., one of the large investment houses, have recently issued an interesting study on 17 New York City banks.

The report gives considerable emphasis to the growth of invested assets over the past ten years. Deposits in most cases are substantially higher than at the end of 1940. Holdings of U. S. Government securities have, for the most part, also shown gains. Of special interest, however, are the large increases in loans outstanding.

The percentage changes in these various items are shown in the following table taken from the Laird, Bissell & Meeds report.

TEN-YEAR CHANGES TO DECEMBER 31, 1950

	Deposits	Governments	Loans	Change in Invested Assets Dec. 31, 1940-1950
Bankers Trust	+ 12.4%	— 30.1%	+203.4%	+ 35.7%
Bank of Manhattan	+ 64.7	+130.9	+145.4	+110.6
Bank of N.Y. & 5th Av.	+ 24.3	+ 27.8	+127.3	+ 48.4
Central Hanover	+ 24.9	+ 55.1	+195.6	+ 86.3
Chase National	+ 37.5	+ 34.5	+173.3	+ 76.2
Chemical Bank	+ 63.4	+ 92.8	+215.5	+107.9
Corn Exchange	+130.0	+233.8	+329.3	+162.4
Empire Trust	+ 76.2	+132.2	+ 69.1	+109.1
First National	— 28.4	— 25.2	+299.1	+ 0.2
Guaranty Trust	+ 3.3	— 29.4	+185.4	+ 32.1
Irving Trust	+ 55.7	+ 89.9	+186.8	+126.3
Manufacturers Trust	+138.3	+202.8	+204.8	+161.1
J. P. Morgan & Co.	— 19.2	— 57.8	+626.9	+ 2.4
*National City	+ 74.8	+107.2	+202.8	+133.0
New York Trust	+ 34.3	+ 55.6	+140.4	+ 43.7
Public National	+189.4	+221.4	+278.1	+225.1
U. S. Trust	+ 5.3	+170.7	+145.3	+107.3

*Includes City Bank Farmers Trust Co.

This growth in invested assets has enabled the banks to offset higher operating costs and taxes, with the result that earnings have shown considerable improvement. Dividends have followed a similar pattern and payments are higher than ten years ago.

Retained earnings plus other additions to capital funds from security profits and recoveries, have been reflected in higher book values.

These considerations are shown in the following table for the 17 banks:

TEN-YEAR CHANGES TO DECEMBER 31, 1950

	Book Value	Earnings	Dividend	*Percent Earns. Paid in in Div. 1950	Ratio Bk. Val. to Mkt. 12-31-50
Bankers Trust	+55.8%	+ 5.6%	+ 19.6%	71%	123%
Bank of Manhattan	+37.4	+ 74.7	+ 55.5	58	110
Bank of N.Y. & 5th Av.	+43.9	+ 17.9	+ 14.3	68	135
Central Hanover	+41.7	+ 22.8	---	59	123
Chase National	+17.8	+ 27.6	+ 28.5	72	130
Chemical Bank	+50.0	+ 38.4	+ 25.0	63	114
Corn Exchange	+40.3	+124.6	+ 5.3	32	88
Empire Trust	+65.5	+144.1	---	29	119
First National	+18.6	— 31.1	— 15.8	117	113
Guaranty Trust	+36.4	+ 31.6	+ 11.1	83	127
Irving Trust	+13.4	+111.2	+ 66.7	68	126
Manufacturers Trust	+90.4	+ 40.2	+ 42.0	52	111
J. P. Morgan & Co.	+54.7	+ 33.7	+150.0	60	128
†National City	+90.6	+ 79.7	+100.0	54	122
New York Trust	+40.5	+ 33.8	— 2.6	63	121
Public National	+49.3	+ 67.4	+ 21.2	49	114
U. S. Trust	— 1.8	— 9.8	---	82	119

*Calculations based on operating earnings only, giving no effect to securities profits or recoveries. †Includes City Bank Farmers Trust Co.

No adjustment has been made in the above figures for dividend or capital changes made since the end of 1950. A number of banks have paid stock dividends or changed their capitalization through the sale of additional shares. Thus the above figures must be adjusted when comparison with present statistics are made.

This fact, however, does not change the basic point of the tabulation—that banks have demonstrated their capacity to meet changing conditions and at the same time show considerable growth in invested assets, earnings and dividends. On the basis of this record, Laird, Bissell & Meeds recommends the purchase of bank stocks.

H. Hentz Opens Branch At Lake Placid, N. Y.

Complete brokerage service will be offered by the new office of H. Hentz & Co. which is opening June 15 at 122 Main Street, Lake Placid. Edgar V. M. Gilbert, who has been actively engaged in business in Lake Placid for the past 20 years, will be in charge. The office will provide translux ticker service, news tickers and direct private wire service to all commodity and stock exchanges.

H. Hentz & Co. was established in 1856. They are members of the New York Stock Exchange, the Commodity Exchange, Inc., the New York Curb Exchange, the New York and New Orleans Cotton Exchanges, the Midwest, Detroit and Pittsburgh Stock Exchanges and many others. Branch offices are maintained in Geneva, Switzerland, Chicago, Detroit and Pittsburgh. The research department of the company is known throughout the markets—the firm's "Fortnightly Review" is carefully read and highly regarded. The services of the research department will be available to the Lake Placid office. Arrangements are being made by Hentz Lake Placid office to provide quotation service to many of the larger hotels and clubs in the Adirondacks. The office is on the main highway on the street level in the building of the Hotel Marcy.

Joins J. A. Warner Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Harold W. Joy has become affiliated with J. Arthur Warner & Co., Inc., Clapp Building.

With Gibbs & Coe

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — John F. Keane has become associated with Gibbs & Coe, 507 Main Street.

Blue Ridge Litigation Draws Sharp Opinion

During the reorganization of Central States Electric Corporation, out of which is reasonably certain to emerge the Blue Ridge Mutual Fund, Reynald H. Chase and T. Roland Berner contended in a motion before a United States District Court and in an appeal to a United States Court of Appeals that the courts are without power to go forward with reorganization proceedings if it can be shown that the value of the assets exceeds the debts of the corporation.

The appellants, Mr. Chase and Mr. Berner, made a motion in the United States District Court for the Eastern District of Virginia, at Richmond, to dismiss the reorganization proceedings of Central States Electric on the ground that the value of the assets of the corporation exceeded its debts and that by making a sale of assets, or by borrowing $10,000,000 on its assets, it would have sufficient cash to pay its indebtedness and that the corporation should be returned to its stockholders in order that this might be done.

Assets of Central States are approximately $38,000,000 at present, compared to a situation in 1942, when petition for reorganization was filed, of indebtedness of $18,000,000 and assets of approximately $1,400,000.

Motion was denied by the District Court and an appeal was made to the United States Court of Appeals for the Fourth Circuit.

The Court of Appeals, in a sharp opinion, upheld denial of motion by the lower court, and the Supreme Court of the United States denied *certiorari* on June 4, 1951.

Referring to the holdings of the appellants, Mr. Berner (with one share of common and one share of preferred) and Mr. Chase (with 1,500 shares of common), the opinion of the court was sharply worded.

"It is hardly thinkable," the opinion stated, "that under the circumstances of this case any judge woul dhave exercised his discretion to dismiss this proceeding and turn the corporation back to the control of the common stockholders who had wrecked it.

"Certainly no judge in his right mind would have exercised such power where, as here, the only persons asking it [dismissal of reorganization proceedings] were the holder of a mere bagatelle of common stock acquired for a comparatively insignificant sum after the plan of reorganization had been proposed and was well under way and the holder of one share of 6% preferred and one share of common which had recently been acquired as a gift.

"For persons holding such insiginifican interests in so large an enterprise, interest manifestly acquired for purposes of litigation, to hold up and delay the carrying out of a plan which has received the approval of the holders of substantial interests involved and has been approved by the Secretaries and Exchange Commission, the District Court and this court, is an abuse to which this court will lend no encouragement. . . . If appellants desire that proceedings be stayed, they will have to apply to the Supreme Court. We do not think they are entitled to it."

Mutual Funds

By ROBERT R. RICH

THE STOCKHOLDERS of Blue Ridge Corporation, a closed-end investment company, will vote on Wednesday, June 20, to merge the corporation with Blue Ridge Mutual Fund, Inc. The latter was organized to effect the reorganization of Central States Electric Corporation.

Approval of the merger is regarded as assured, since Carl J. Austrian and Robert G. Butcher, as reorganization trustees of Central States, own 4,900,788 shares of Blue Ridge Corporation, or 66.03%. A two-thirds vote of approval is necessary for the merger to be effected.

Blue Ridge Mutual Fund has arranged, with the approval of the reorganization court, to enter into a contract with Research-Distributing Corporation, which is to act as distributors of the common stock and will furnish the new fund with investment advisory, accounting, treasury department and other services.

Research-Distributing was organized as a Delaware corporation by Reynolds & Co., members of the New York Stock Exchange and investment bankers and brokers, 120 Broadway, New York City. It is anticipated that Reynolds & Company will be one of the brokers acting for Blue Ridge Mutual Fund in purchasing and selling portfolio securities.

If the merger is approved, approximate assets of Blue Ridge Mutual Fund will be, after reserves, some $44,600,000. Of this, $13,970,806 will be received from the Estate of Central States Electric Corporation, $1,128,694 from American Cities Power and Light Corp., and $30,859,059 from Blue Ridge Corporation.

For its services as distributor, Research will be paid out of the selling commission ½ of 1% of the offering price. The selling commission, as a percentage of the offering price, will range from 8½% on single sales of less than $25,000 to 1½% on sales of $250,000 or more. Dividends may be reinvested at net asset value.

It is presently intended that on the initial issuance of common stock of the new company on the effective date of the merger, one share will be issued for approximately each $10 of asset value of the securities and cash received by the company in exchange for such shares. The asset value of securities received by the new company will be computed for such purpose immediately before the effective date of the merger. On March 31, 1951, the asset value of the Blue Ridge common stock was $4.10 per share. On May 11, 1951, a dividend of 22 cents per share was declared on the Blue Ridge common stock, payable May 31, 1951 to stockholders of record at the close of business on May 21, 1951. Prior to the merger, it is intended that Blue Ridge will transfer to a realization corporation certain contingent assets and $300,000 in cash, equivalent to approximately four cents per share on the Blue Ridge common stock. The adjusted asset value of such common stock at March 31, 1951, after giving effect to all these adjustments, was therefore approximately $3.82 per share. On this adjusted basis, had the merger been consummated on March 31, 1951, each holder of Blue Ridge common stock would have received, for each 10 shares of such stock held by him, 3.82 shares of common stock of the new company.

At the close of business on May 18, 1951, the asset value of Blue Ridge common was $3.84 per share, after giving effect to the dividend of 22 cents per share, payable May 31, 1951, and also after deducting the estimated reorganization expenses and the cash to be transferred to the realization corporation, as described above. On this basis, at May 18, 1951, the holder of 10 shares of Blue Ridge common stock would receive on the merger 3.84 shares of the common stock of the new company.

For fractional interests in the stock of the new company distributable on the merger, the new company will issue scrip certificates in bearer form which may be combined to form full certificates.

The Agreement of Merger provides that it will become effective upon filing, which, it is expected, will occur in June or July, 1951.

In addition to the shares of the new company to be received by Blue Ridge stockholders and security holders of Central States, the new company will continuously offer its common stock for sale to new investors at its asset value at the time of sale plus underwriting commissions. Stock sold to new investors will be redeemable at its asset value upon presentation to the new company without the initial deferment in redemption described above.

The Agreement of Merger has been approved by the directors of Blue Ridge, by the directors of the new company and by the U. S. District Court for the Eastern District of Virginia, before which the reorganization proceedings of Central States are now pending, by order made April 23, 1951.

The Central States plan of reorganization provides for the segregation of so-called "contingent assets" of Blue Ridge in order to permit a fairer distribution under the plan and a more ready determination of the relative asset values of Blue Ridge and Central States in connection with the proposed merger. Such contingent assets consist principally of lawsuits against other in which Blue Ridge is a party litigant, together with the common stock of Central States. In order to effect the segregation of such assets, Blue Ridge has caused Ridge Realization Corp., a Delaware corporation, to be organized to hold and realize upon such assets for the account of the present Blue Ridge stockholders. The assets intended to be transferred to Ridge Realization Corp. consist of an action brought by Blue Ridge against Harrison Williams, et al. and now pending in the U. S. District Court

Continued on page 39

Sponsor Starts New Plan for Dealers

A "Dealers' Reinvestment Program" has been put into effect in the mutual fund field by Lord, Abbett & Co. The program differs from those generally in operation by other investment fund underwriters in that it contemplates the payment of the entire sales charge to dealers on reinvested dividends, after the deduction of the bank's charge for services, out-of-pocket expenses and transfer taxes.

The program does not result in additional operating costs to the investment companies nor does it involve any direct dealings by Lord, Abbett & Co. or by the investment companies with the dealers' customers. Each dealer may avail himself of the arrangement or not as he wishes.

Details are available from Lord, Abbett & Co., 63 Wall St., New York 5, New York.

Public Utility Securities

By OWEN ELY

New England Gas & Electric Association

New England Gas & Electric Association (NEGEA) is the "number two" integrated holding company in New England (New England Electric being the largest) with annual revenues of $31 million. The Association system consists of a Massachusetts trust holding the entire equity investment in 11 gas, electric and steam heating companies, and 97% of the equity in one combination gas and electric company. Ten of these companies are in Massachusetts, one in New Hampshire, and one very small one in Maine (the companies outside of Massachusetts will eventually be disposed of).

The territory served is basically mature and diversified and includes not only cities like Cambridge, Worcester and New Bedford, with diversified industries, but also vacation areas such as Cape Cod, Martha's Vineyard, etc. All of the territory served by the subsidiary operating companies is within a radius of 80 miles of Cambridge, where are located the home offices of the Association and the NEGEA Service Corporation, a subsidiary which so ties together the operations that the System has been referred to as an operating company with incorporated districts.

The more important industries served by NEGEA are paper, textiles and textile machinery, machine tools, steel and steel wire, rope and cordage, soap, candy, rubber, carpets, gypsum products, cranberries, etc.

NEGEA obtains about 61% of annual revenues from electric sales, 37% from gas and 2% from steam-heating. Electric revenues are well balanced, 35% being residential, 31% industrial, etc. Generating capacity is somewhat inadequate, and the Association buys some power from Boston Edison.

The capital structure was "streamlined" in April, 1947, by reducing funded debt and writing down the common stock equity. At that time the Association issued collateral trust debentures, which are gradually being reduced in amount through the operation of a sinking fund. After the completion of scheduled financing for 1951, including the current one-for-eight common stock offering, NEGEA's System debt ratio will be approximately 61.50% and the common equity ratio 29.25%, the other 9.25% being made up by preferred stock of the Association and the small minority interest. Subsidiaries' bank loans totaling $6 million are expected to be refinanced this year with an issue of the Association's Series C bonds. It is the long-run objective of the Association that the major portion of the senior securities to be outstanding will be obligations of the Association itself, rather than of subsidiaries. Upon completion of the 1951 program, the securities of subsidiaries at the year-end will constitute only about one-third of the total debt. Except at the end of a period of substantial construction, as at present, it is the Association's intention that its total debt ratio shall not exceed 60%.

Unlike New England Electric System, whose earnings have fluctuated considerably due principally to hydro conditions, NEGEA's earnings record has been rather stable, as indicated in the following table compiled by Standard & Poor's (the years 1939-46 have been converted to a pro forma basis):

Year	Gross Revenues (in millions)	Share Earnings*
1950	$31.21	$1.46
1949	28.65	1.46
1948	28.70	1.31
1947	24.75	1.31
1946	21.55	1.37
1945	20.01	1.38
1944	19.29	1.07
1943	18.71	1.18
1942	17.54	0.99
1941	16.24	0.96
1939	14.49	0.94

*Before sinking fund requirements in 1948-50.

In the 12 months ended April 30, earnings remained at the same level of $1.46 despite higher income tax accruals in 1951. However, earnings are stated two ways—before and after sinking fund requirements on debentures. The latter currently amount to 19c a share, leaving a balance for common stock of $1.27. No excess profits taxes were paid last year, and the EPT earnings base is estimated to be around $2.

Current earnings would be at the rate of $1.30 based on the increased number of shares. If the proposed income tax rate of 52% (54% for holding companies) is effective for the last quarter of 1951, earnings should still be at least $1.25 per share, it is estimated.

Natural gas has been slower in arriving in New England than in the New York area, but NEGEA expects to receive some gas from Northeastern Gas Transmission by September; and other areas may receive it early next year from Algonquin Gas Transmission Company. (However, a shortage of pipe would delay this schedule.) Conversion of customers' appliances for use of natural gas will be completed by this summer. In comparison with 1950 production costs, natural gas is estimated to save $2 million annually for the System companies. If other expense conditions at the time permit, a sizable reduction in heating rates and a moderate reduction in other rates is contemplated which should materially boost the heating business, which in turn carries with it much other use of gas.

In 1952, assuming an effective Federal income tax rate of 54% for the entire year and also assuming a partial year of natural gas in all properties but not the full benefit from the development of additional gas business, earnings of $1.40 per share are forecast by the management.

These estimates give no effect to possible electric rate increases. This subject is being carefully considered and if substantial increases in Federal income tax rates become effective application will be made for general electric rate increases, it is reported.

In the postwar period the company has made net property additions of over $34 million, or about half the total investment; and about 43% of the 256,000 kw. generating equipment was installed in this period. The gas capacity has been increased from 48 million to 120 million cubic feet per day (528 BTU equivalent). Improved efficiency is shown by the relative amounts of coal required to generate a kilowatt-hour—1.27 lbs. in 1946 and now appreciably less than a pound.

The Association expects to spend about $33 million for construction in the five years 1951-55, including $8.5 million for natural gas construction and conversion. It is estimated that $19 million new money will be needed, though this is dependent in part on whether or not the investment in New Hampshire Electric Company is sold and whether the proceeds are used to retire senior securities. It is probable that there will be two additional issues of common shares on a one-for-eight or a 1-for-10 basis, over the entire period. Following the present one-for-eight offering the company does not now expect to make a further sale before early 1953.

During the past year NEGEA paid quarterly dividends at the rate of 90c regular and 10c extra; but it was recently indicated that dividends will soon be placed on a regular $1 basis. This apparently reflects the confidence of the management in the company's ability to offset current tax increases through economies and rate adjustments and to maintain a regular $1 rate.

NEGEA also has outstanding about 75,000 shares of $4.50 convertible preferred stock, which after the current financing will be convertible into 7.2 shares of common stock.

Gillen & Co. to Admit C. A. Wright as Partner

Gillen & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Charles A. Wright, Exchange member, to partnership on June 21. Mr. Wright on that date will retire from partnership in Townsend, Graff & Co.

To Be Whitcomb Partner

Otto B. Reimer, member of the New York Stock Exchange, on July 1 will become a partner in Whitcomb & Co., 14 Wall Street, New York City, members of the New York Stock Exchange. Mr. Reimer has been active as an individual floor broker. On June 30 William S. Sagar will withdraw from partnership.

Curb 5 & 20 Club Golf Tournament

The New York Curb Exchange Five and Twenty Club will hold its fifth annual gold tournament and dinner on June 26, 1951, at Wheatley Hills Country Club, East Williston, L. I., according to an announcement made today by Lawrence M. Stern, Club President.

The Five and Twenty Club trophy, symbolic of organization championship, will be inscribed with the name of the low gross scorer following the day's play. Harold J. Brown, market specialist, who turned in last year's winning low gross card, is currently the reigning champion. Other awards, including the President's trophy, and the Chairman of the Board's trophy, will also be presented at the dinner for members and guests in the evening.

Philip Diamond, Chairman of the Club's entertainment Committee, is in charge of arrangements for the annual affair.

Liberal Gifts, Inc. Formed

Liberal Gifts, Inc., has been formed with offices at 65 West 55th Street, New York City, to engage in a securities business. Officers are N. Bengston, President and Secretary, and Devora Bengston, Vice-President and Treasurer.

Midwest Stock Exch. Elects Officers

CHICAGO, Ill.—Homer P. Hargrave, partner of Merrill Lynch Pierce, Fenner & Beane, Chicago, was reelected to serve as Chairman of the Board of the Midwest Stock Exchange at the annual election of the Exchange. John A. Isaacs, Jr., of Semple, Jacobs & Co., Inc., St. Louis, was elected to serve as Vice-Chairman of the Board, succeeding Clemens E. Gunn, of Cleveland.

Homer P. Hargrave

New members of the Board of Governors elected were:

From Chicago—Lyman Barr, Paul H. Davis & Co., August I. Jablonski; George F. Noyes, The Illinois Company; E. Cummings Parker, Ames, Emerich & Co., Inc.; Harry W. Puccetti, Hornblower & Weeks; Frank E. Rogers.

From Cleveland—Leslie J. Fahey, Fahey, Clark & Co.

From Minneapolis-St Paul—Charles L. Grandin, Jr., Piper, Jaffray & Hopwood; Bert A. Turner, Kalman & Company, Inc.; Lawrence B. Woodard, Woodard-Elwood & Co.

From St. Louis—Bert H. Horning, Stifel, Nicolaus & Co., Inc.; Ira E. Wight, Jr., Newhard, Cook & Co.

Those Governors reelected were:

From Chicago—John W. Billings; Norman Freehling, Freehling, Meyerhoff & Co.; Reuben Thorson, Paine, Webber, Jackson & Curtis.

From Cleveland—Lloyd O. Birchard, Prescott & Co.; Clemens E. Gunn, Gunn, Carey & Co.

From St. Louis—John H. Crago, Smith, Moore & Co.

The following were elected members of the 1952 Nominating Committee: M. Ralph Cleary, Chairman (Chicago); Andrew M. Baird (A. G. Becker & Co., Chicago); Morton D. Cahn (Morton D. Cahn, Chicago); Ralph Chapman (Farwell, Chapman & Co., Chicago); Harry L. Franc (Henry, Franc & Co., St. Louis); Guybert M. Phillips (Caldwell, Phillips Co., St. Paul); Theodore Thoburn (Hayden, Miller & Co., Cleveland); Edwin T. Wood (Chicago).

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

With the important mid-year refunding on its way into the permanent record, the government market is not expected to witness any dramatic changes. With nearly 95% of the June and July issues turned in for the 1⅞s, even including those of Federal, the refunding was a real success. The protection that was given the short end of the market will be continued here and there depending upon what the authorities want to accomplish in the battle against the inflationary forces. The longer-term obligations, although certain issues are under pressure because of the lack of official support, may continue to give ground. This, however, should not have a drastic effect upon the higher yielding Treasury obligations. With the refunding came increased volume and activity, especially in the short- and middle-term maturities. Nonetheless, the pick-up in business was not large enough or profitable enough, according to advices, to get very much excited about.

Switching and swapping has been characteristic of the whole market, the longs as well as the shorts. This has helped to generate activity. The refunding touched off exchanges in the near-term end of the list, with non-financial corporations and Federal the main principals in this one. The longer-terms were being switched for other long-terms, giving a better return or for fully tax-sheltered obligations.

Softness in the longest bank issue, and a somewhat enlarged amount of switching throughout the list, seem to be the important features of a government market which has been slightly more active. The mid-year refunding gave holders of Treasury obligations an opportunity to rearrange positions in the various maturities, with the bulk of these operations being concentrated in the near-term ones. There were also large-scale operations in Treasury tax notes, with old Series "D" being cashed in, in anticipation of using the money to buy the higher-yielding Series "A" notes.

Long Bank 2½s Under Pressure

The eligible 2½s of 1967/72 gave ground under somewhat increased volume, because it is believed this obligation, pricewise and from the yield standpoint, is out of line with certain other Treasury obligations, as well as selected state and municipal bonds. The taking of the September 1967/72s down to new lows for the year was attributed largely to a switch operation, with the proceeds from the sale of the long bank obligation going mainly into the near-eligible 2½s due 6/15/52-67. The latter obligation is the first of the tap issues to become eligible (5/5/52) for purchase by the deposit banks. This is less than a year away which is not too long to wait. On the other hand, the price and yield differentials are sizable enough in favor of the '62/67s to make this a worthwhile swap, even when the waiting period for eligibility is taken into consideration. This type of operation is being carried out by non-bank investors.

Commercial bank owners of the 2½s of September 1967/72 have also been in the market, letting out this bond, in order to pick up fully tax-exempt ones. It is reported that certain deposit institutions are inclined to look with greater favor upon selected state and municipal obligations than formerly, and switches are being made from the longest bank obligation into the wholly tax-exempt issues. According to information being circulated, most of the state- and municipal-minded portfolio managers that are trading from governments into the aforementioned securities are mainly out-of-town institutions. Nonetheless, there has also been some swapping of Treasury obligations for the fully tax-sheltered obligations by large New York City deposit banks.

Bank Eligible Feature Overrated

Because of these swaps from the longest bank 2½s there has been a sag in the quotations of this obligation. There has been no protective support, according to those that should know, in the September 2½s. With nothing but demand and supply to make the market in this issue, it does not take too many bonds to make an impression on prices, because the market is still very thin in this security as well as many other Treasury obligations. With the longest bank obligation now going the way of all flesh, the question is being asked, "How far down?" This is a real toughie, because many informed money market followers now believe the bank-eligible feature of a government bond is overrated. They also point out the very sizable enlargement in the supply of bank-eligibles in the next three years, through the various tap bonds becoming eligible for purchase by commercial banks, takes the scarcity factor out of the picture. It would not be surprising to this group to have the September 2½s of 1967/72 move down in price with the June and December 1967/72s.

The Vics have been under moderate pressure, with the Central Banks again in there taking bonds, but, according to reports, in not-too-sizable amounts. When large sellers come into the market, and there are still a few left, prices tend to soften, but there are nonetheless more of these bonds going into spots away from Federal each day. Dealers, although operating mainly in an "order market" are able, according to reports, to dig up more "going away" bids than was the case not so long ago. Pension funds are the leading buyers of the highest yielding Treasury obligations, but as has been the case in the past, there is no inclination yet to reach for merchandise. On price weakness scale commitments have, however, been stepped up.

Municipals in Demand

The battle of the partials and the fully exempts continues to wax hot, with swaps being made in not a few cases from the government obligations into the state and municipal issues. The last three 2¾s, it is indicated, have been given up in some cases by deposit banks in order to take on selected fully tax-sheltered obligations.

NSTA Notes

AD LIBBING

With much pleasure and optimism your 1951 NSTA Advertising Committee is presented. Having served as your Advertising Chairman for many years, I am happy to report to you the enthusiastic response to my inquiries to assist in this undertaking was much greater than ever before. Many of our old standbys are with us again together with many new names.

Our 1951 Convention at Coronado Beach, Calif. in September should be outstanding and our post convention yearbook supplement of the "Commercial and Financial Chronicle" should be presented to you as the most useful and colorful issue yet to be offered.

Call your local Chairman and offer him your cooperation in his efforts to build a real advertising section for your affiliate in our yearbook and Convention Issue of the "Chronicle."

HAROLD B. SMITH Chairman,
NSTA Advertising Committee,
Pershing & Co.,
120 Broadway, New York 5, N. Y.

NATIONAL SECURITY TRADERS ASSOCIATION

The National Security Traders Association Inc. announces the membership of the Advertising Committee for 1951:

Chairman—Harold B. Smith, Pershing & Co., **New York City.**

Vice-Chairmen—Howard J. Eble, Wm. J. Mericka & Co., **Cleveland, Ohio**; Lex Jolley, Johnson, Lane, Space & Co., **Atlanta, Ga.**; George J. Elder, George A. McDowell & Co., **Detroit, Mich.**; Sidney J. Sanders, Foster & Marshall, **Seattle, Wash.**

Local Affiliate Chairmen—Harold B. Mayes, Hendrix & Mayes, Inc., **Birmingham, Ala.**; John J. O'Neill, Stein Bros. & Boyce, **Baltimore, Md.**; Burton F. Whitcomb, Harriman Ripley & Co., Inc., **Boston, Mass.**; Malcolm M. Manning, Vivian M. Manning, **Greenville, S. C.**; Fred E. Ungeher, Rogers & Tracy, Inc., **Chicago, Ill.**; Gilbert Davis, Harrison & Co., **Cincinnati, Ohio**; Leslie Swan, Chas. W. Scranton & Co., **New Haven, Conn.**; Hugh D. Dunlap, Binford, Dunlap & Reed, **Dallas, Texas**; John S. Ralston, Peters, Writer & Christensen, Inc., **Denver, Colo.**; F. Boice Miller, B. J. Van Ingen & Co., Inc., **Miami, Fla.**; A Gordon Crockett, Shields & Company, **Houston, Texas**; Lawrence B. Carroll, Burke & MacDonald, **Kansas City, Mo.**; William C. Walker, Conrad, Bruce & Co., **Los Angeles, Calif.**; William J. Conliffe, Merrill Lynch, Pierce, Fenner & Beane, **Louisville, Ky.**; J. Nick Thomas, Jr., Memphis Securities Company, **Memphis, Tenn.**; Martin B. Key, J. C. Bradford & Co., **Nashville, Tenn.**; Joseph H. Weil, Weil, Arnold & Crane, **New Orleans, La.**; William D. O'Connor, Fitzgerald & Company, Inc., **New York City**; Samuel K. Phillips, Jr., Samuel K. Phillips & Co., **Philadelphia, Pa.**; James C. Lear, Reed, Lear & Co. **Pittsburgh, Pa.**; Richard Adams, Donald C. Sloan & Co., **Portland, Ore.**; Edward H. Morfeld, Morfeld, Moss & Hartnett, **St. Louis, Mo.**; Paul E. Isaacs, Sutro Bros. & Co., **San Francisco, Calif.**; Norman C. Schmidt, Clarence A. Goodelle, **Syracuse, N. Y.**; Arthur H. Rand, Woodard-Elwood & Co., **Minneapolis, Minn.**; Henry G. Isaacs, Virginia Securities Co., **Norfolk, Va.**

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN, INC.

The Securities Traders Association of Detroit and Michigan announce that their sixteenth annual summer outing will be held June 26 at the Plum Hollow Golf Club, Lahser Road, between eight and nine-mile roads.

Golfers may tee off as early as they wish; contests will be held from tee to green.

Dinner will be served at 7:30 p.m. Fee for guests, $12.50.

Members of the Golf Committee are: Leslie C. Muschette, First of Michigan Corp., Chairman; Richard A. Carman, Manley, Bennett & Co., and William L. Hurley, Baker, Simonds & Co.

Room Reservation Committee: Bert F. Ludington, Straus & Blosser.

Program Committee: Harry A. McDonald, Jr., McDonald-Moore & Co., and William P. Brown, Baker, Simonds & Co., co-Chairmen; Robert H. Barnard, Crouse & Co.; Edmund F. Kristensen, Moreland & Co.; Robert Moons, Manley, Bennett & Co.

Special Committee: Bertrand Leppel, Charles A. Parcells & Co., Chairman; Charles C. Bechtell, Watling, Lerchen & Co.; Ray P. Bernardi, Nauman, McFawn & Co.; Joseph F. Gatz, McDonald-Moore & Co.; Marion J. Stanko, Chas. E. Bailey & Co., and Victor Williams, Paine, Webber, Jackson & Curtis.

SECURITY TRADERS ASSOCIATION OF NEW YORK

On June 7, 1951 the Security Traders Association of New York (STANY) Bowling League held our annual Bowling Dinner. It was well attended and enjoyed by all.

Prizes were given to the winning teams: Arthur Burian, Jack Manson, Charles King, Mike Voccoli and Giles Montanyne.

The runners-up: "Duke Hunter's team—Vin Lytle, Vic Reid, W. Kruge and Carl Swenson also received prizes.

The High Bowling Average prize went to Ricky Goodman. His over-all average was 172.

Special prizes were awarded to Hoy Meyer, Nat Krumholz and Joe Flanagan.

The entire bowling group gave Hoy Meyer a gift on his retirement as Chairman of the Bowling Committee.

The next Chairman is Sid Jacobs. The new season will open next Sept. 6, 1951!

THE BOND CLUB OF LOUISVILLE

The Bond Club of Louisville announces its summer outing will be held at the Louisville Boat Club, Louisville, Ky., on June 26, 1951 all afternoon and all evening. The cost is $10 per person.

Continued from first page

As We See It

Panic Now Gone

The panic of the rank and file about predicted shortages of many types of goods not available or available in insufficient quantities during World War II subsided some time ago. It may not come to life easily again. On the other hand, the response of the general public to the price reductions of the past few weeks seems to indicate clearly that basic demand for many articles still exists even if at the same time it makes abundantly clear that the consumer is quite price conscious. A good deal obviously depends upon whether or not defense expenditures rise as promised during the next half-year. They have been slow in getting under way and there are those who assert that there is too much inefficiency in the Administration to permit of the sort of performance required for the production now predicted. Here again surprises may or may not await us.

All such uncertainties, plus the existing state of softness in prices of many articles of ordinary consumption, magnify the difficulties of those who try to convince us all that we must be controlled to the hilt to prevent inflation. But what really disheartens us, however, is quite another aspect of the matter. What we are most concerned about is the fact that what the President is worrying about are for the most part merely symptoms not the basic evils of the existing situation, and when he tentatively gets down to other and more fundamental aspects he tends to wince and relent and refrain at vital points.

Control Madness

What the President is concerned about is his authority to control. He wants to be certain that he has the power to fix ceilings for prices and wages. He wants to have the authority to allocate materials. He is certain that it is essential that he, or his agents, have vested in them the power to limit credit. And so it goes on and on. He has what for a democratic country amounts almost to dictatorial powers as things now stand. These he insists must be continued for the future. But for the President's part, this is not enough. Further authority is demanded of Congress, a broadening of the base of his fiat power. More of the sort of thing that Moscow takes for granted!

But most of this program has nothing to do in any fundamental sense with inflation. It may or may not for the time being be, in one degree or another, successful in preventing higher prices. But in doing so it merely dams up the stream which at some time or other will break down the barriers. But even within this limited field, the doubtful remedy is applied in an uneven and hence ineffective way. The President on occasion talks bravely about placing some sort of limit on the farmers. His demands at most are light, but little or nothing is done about it in any event, and no harsh protest is heard. Wages, too, are supposed to be under certain controls. The President has from time to time had this or that to say about the necessity of limiting wage increases. A good deal of it has been double talk, but what seemed to be straightforward has seldom produced any real results.

One of the latest outgivings of the President on this general subject takes the form of a letter to certain of his subordinates demanding that the executive departments and offices conserve manpower. What will come of this directive—on the face of it a desirable one—remains for the future to disclose, but if the course of events follows the now all too familiar pattern, not a great deal of difference will be observed in the number of people drawn by the Federal Government from the labor force to meet its civilian demand. Everyone knows who has given the matter any thought at all that we have one of the most wasteful—yes, the most wasteful—central governments on the face of the earth. The fact is that similar conduct by any of the other major powers would bankrupt it without delay. Senator Douglas had some pertinent remarks to make on the subject the other day, but the show goes merrily on.

Of Course, Savings Are Possible

Now it is merely silly to say that substantial reductions in Federal spending could not be effected without in the slightest affecting or injuring the rearmament effort. A number of surveys made earlier this year left no doubt in any informed mind that substantial amounts could be deleted. The Committee on Federal Tax Policy, headed by Roswell Magill, came some time ago to the conclusion that it would be quite feasible to slash $10 billion from the proposed budget. Senator Byrd has urged a reduction of more than $9 billion. Others ranged up to five, six and seven billions of dollars. If such amounts as these could be taken from next year's budget—as burdened as these budgets are with previous commitments — we have no hesitation in saying that if we begin now we could take double this amount out of budgets two, three or four years hence.

But do the President and the others now so much concerned about a continuation of control powers after the end of this month show any concern about such matters as these? We have seen no evidence of it. If inflation dangers are really ahead in the magnitudes that the President indicates, we should all be wise to look much more closely into these fundamental matters.

FHLB Notes on Market

Public offering of two new note issues of the Federal Home Loan Banks, aggregating $137,500,000 principal amount, was made yesterday (June 6) through Everett Smith, fiscal agent. The issues consist of $70,000,000 2⅛% series I-1951, noncallable consolidated notes, dated June 15, 1951 and maturing Oct. 15, 1951, and $67,500,000 2⅜% series B-1952 noncallable consolidated notes, dated June 15, 1951 and maturing April 15, 1952. The notes are priced at par.

The purpose of the offering is to provide funds required for the payment at maturity on June 15, 1951 of $89,000,000 Federal Home Loan Banks 1.80% series E-1951 consolidated notes, and to provide additional funds for making available credit by the Federal Home Loan Banks to their member institutions.

Upon completion of the current financing and the retirement of the 1.80% notes on June 15, outstanding consolidated obligations of the Federal Home Loan Banks will total $547,500,000.

Forest Watson & Co. Formed in Seattle

SEATTLE, Wash.—Forest Watson has formed Forest Watson & Co. with offices at 1411 Fourth Avenue to engage in the securities business. Mr. Watson was previously associated with Dean Witter & Co., MacRae & Arnold, and Arnold & Co.

Albert J. Caplan Co. Formed in Philadelphia

PHILADELPHIA, Pa.—Albert J. Caplan has formed Albert J. Caplan & Co., members of the Philadelphia - Baltimore Stock Exchange, with offices at 1500 Walnut Street, to act as brokers and dealers in listed and unlisted securities. Mr. Caplan was formerly a general partner in Bayuk Brothers.

D. D. Deane With Union Securities

Union Securities Corporation announced that Disque D. Deane has become associated with the firm in its New York office, 65 Broadway. For five years prior thereto Mr. Deane had been an investment officer with Carnegie-Teachers Investment Office and an Assistant Treasurer with Teachers Insurance and Annuity Association of America.

John F. Pierson

John Frederick Pierson passed away at the age of 79 after a long illness. Prior to his retirement several years ago, he was a partner in the Wall Street firm of J. F. Pierson & Co., members of the New York Stock Exchange.

Canadian Securities

By WILLIAM J. McKAY

It is to be regretted that it has been necessary to raise the question of the recent increase in the price of Canadian newsprint at the highest official levels. It is still more to be deplored that inference has been made to possible measures of retaliation. On the other hand it is to some degree ironical that the proposed retaliatory step would concern U. S. arms orders placed in Canada. As far as is known, U. S. contracts under the U. S./Canadian Defense Pooling Agreement are still far lagging behind similar Canadian orders placed in this country. For this reason perhaps Canada might be afforded a favorable opportunity to ventilate her grievances in this delicate matter, and better still arrive at a desirable compromise.

At this critical stage of world affairs never has it been more essential to discuss with the utmost frankness all issues that might tend to disrupt the harmony of economic relations between the nations of the Western World. As the protracted Torquay Tariff and Trade discussions amply demonstrated it is more difficult to reach agreement on international economic matters than it is to arrive at satisfactory compromise in the political field. At the present time undue publicity is given to the cases presented by minority interests rather than to the examination of the overall situation. For example the decision of certain Canadian companies to raise the price of newsprint is generally condemned as an attempt on the part of Canada to victimize the U. S. consumer. No attention is paid to the fact that Canada is obliged to earn an adequate return for her exports here in order to pay for essential imports from this country. The record clearly shows that the greater the return from Canadian exports to this country, the greater the volume of Dominion's reciprocal purchases. In this way she has become the best cash customer of the U. S.

A further examination of the record will show that Canada in the past few decades has furnished U. S. industry with indispensable requirements at uneconomic costs. Nickel, without which the steel industry could not exist, has long been supplied by Canada at a low fixed price which has borne little relation to its value if it were determined in a competitive market. Canada as a monopoly supplier is in a position to dictate her own terms in this notable instance. Similarly in the cases of asbestos, uranium and gypsum this country has benefited to a greater degree than Canada by obtaining low-cost supplies of commodities which could not readily be obtained elsewhere, and certainly not at a comparable price-level. It will also be remembered that during the war years Canada furnished this country with vast quantities of aluminum, copper, lead, zinc and other metals at prices considerably lower than the domestic levels.

In view of the indispensability of Canadian raw materials in the U. S. industrial scheme and Canada's long record of generous economic cooperation, there is little doubt that the present relatively minor points of difference will be happily settled. It would be still more appropriate to arrange a high-level meeting at which all aspects of U.S./Canadian economic collaboration would be frankly reviewed. Although it is generally recognized that Canada's economic welfare is largely dependent on her export markets in this country, the extent of Canada's economic contribution to the U. S. economy is largely disregarded.

In order to obtain a better appreciation of the vital role played by Canada in the U. S. economy it is only necessary to visualize the conditions that would prevail if this country were deprived of Canadian newsprint, woodpulp, lumber, nickel, asbestos, gypsum, which items for the most part could not be obtained from other sources. In addition with the encouragement of the Dominion authorities Canada has provided an exceedingly fruitful outlet for U. S. industry and capital. There is thus every reason to suppose that the interests of this country will be best served by the closest possible economic cooperation with its increasingly important northern neighbor; a formal economic pact on the lines of the wartime Hyde Park Agreement would constitute a constructive first step in this direction.

During the week business in the external section of the bond market continued on a very restricted scale. The internals also were inactive but prices were lower in sympathy with the weakness of the Canadian dollar. The persistent unseasonal decline of the dollar has caused universal bewilderment in exchange circles and it is difficult to escape the conclusion that the movement has been contrived as a result of official policy. Stocks turned irregular after earlier advances. The basemetal and paper stocks met with support following recent price increases in nickel and newsprint but the Western oils and the golds again failed to make any headway.

Continued from first page

Are Utility Debt Ratios Headed Upward?

on $1,000,000 of bonds would give the same coverage on over $2,300,000 of the 2.75% bonds. This is another way of saying the debt ratio could be more than twice as high in 1951 and still have the same earnings coverage. For example, if the debt ratio was 40% in 1939 it could be over 90% in 1951 with the same coverage. However, this is only one factor and the utility industry has wisely refrained from trying to take too great advantage of the lower interest rates and higher taxes.

Furthermore, the taxes are a component of expense in arriving at the allowed rate of return, so that theoretically at least a greater proportion of debt with consequent lower taxes would tend to increase the rate of return on the rate base.

Now, however, that interest rates have moved sharply upward, and yields on preferred stock have increased proportionately, i.e., to an even greater extent, together with the high tax rate and an anticipated further increase from 47% to 52%, there will exist a strong temptation to the electric utility industry to increase debt ratios in order to obtain a maximum return in a period of higher fixed charges and rising tax rates and other expenses.

Let us take as an example an electric utility with $100,000,000 of net property and a present capitalization of 50% bonds at 3%, 15% Preferred Stock at 4%, and 35% Common Stock equity—something like the average of the electric industry. Let us suppose that for the latest twelve months (ended—say March 31, 1951) it earned 6% on its net property before charges. Let us next assume its 1951 expansion program calls for expenditures of $18,000,000 for new facilities, this being 15% of gross plant of $120,000,000 (with a $20,000,000 or 17% depreciation reserve). Next let us assume depreciation charges of $3,000,000, reducing to $15,000,000 the funds to be raised. If these funds were financed on the same basis as the existing capitalization $7,500,000 would represent bonds (at 3.25% in today's market), $2,250,000 Preferred (at 4.75% in today's market) and $5,250,000 Common (including about $1,100,000 of undistributed earnings, with a dividend payout of about 72%—the balance to be raised by sale of additional Common Stock).

But now let us superimpose on this situation the impact of the tax increase of 3¾%, i.e., from 42% to 47% for ¾ of the year (it is reflected in the earnings for only the first quarter) plus an additional increase in rate from 47% to 52% (as tentatively voted by the House Ways and Means Committee)—or a total of 8¾%.

It will be observed that the 8¾% tax rate increase has diluted pro forma earnings from $2.02 to $1.60 (or 20%). Under these circumstances the stock could not be sold at $20 and a further dilution would result. Let us even assume that the balance of the increase from 42% to 47% can be recovered from increased business due to the defense effort. Even then the additional 5% increase would reduce per share earnings substantially, probably about 20 cents per share or 11%.

These tax increases should (and may ultimately) be recovered in rate increases, but at best a considerable period may elapse between the date when the tax increase becomes effective and the time the rate increase is obtained, and until it is granted, there can be no assurance the earnings can be maintained.

Under these circumstances there is a strong inducement and temptation to utility management to reduce the cost of the new money to be raised by employing a higher ratio of debt securities.

As bonds of our hypothetical company have hitherto been held to a 50% ratio, there no doubt would exist a considerable backlog of bondable additions which could be used to issue more bonds. Also Debentures can be substituted for Preferred Stock, as the interest will be deductible for taxes, whereas the dividends are not. The recent increase in money costs has affected Preferred Stock yields more than the cost of Debenture money.

Before Korea, Debenture money probably cost about 3% for such a company, with Preferred costing about 4% or perhaps a little more. 38% taxes would have reduced the net cost of Debenture money to 1.86% so that the differential would have been about 2.14%. In today's market Debentures would probably cost 3.50% (or more), which with an assumed tax rate of 52% would be a net cost of 1.68%, while Preferred money would probably cost around 4.75%, a differential of 3.07% or 43% greater than before Korea.

So to recover part of the loss in earnings until rates are increased the company might finance the $13,900,000 balance after $1,100,000 of undistributed earnings, by selling $10,000,000 of 3.25% bonds and $3,900,000 of 3.5% Debentures.

On the assumption of recovery of all but a 5% increase in tax rate through increased defense business, the net loss in the balance for Common from the tax increase would be limited to about $450,000 as against a pro forma gain in income after taxes and charges of $550,000 as shown above. Net additional interest charges after taxes would increase $104,000, but preferred charges would decrease $107,000, so that Common Stock earnings per share (with no additional shares) would increase to about $2.05 a share. However, the assumption of absorbing a large part of the tax increase (pending rate increases) may be on the optimistic side so that probably the most that could be expected would be that Common Stock per share earnings would be maintained without reduction.

By this financial program the debt ratio would increase to about 55% and the Common Equity Ratio drop to 31.4%. This would not be a serious change, as many companies function successfully on considerably higher debt ratios and smaller equity ratios. But the foregoing capitalization ratios represent about the industry average (heavily weighted by the large, big city companies), and there are numerous companies with higher debt ratios and lower equity ratios, where the adoption of such a financial program would have a more serious impact on capitalization.

Let us assume, however, that these higher debt and lower Common Equity Ratio companies would not go as far as all debt financing, but would seek to maintain their common equity ratios and simply substitute debentures for the 15% portion of the new money which they would customarily plan to raise by selling Preferred Stock.

If $2,250,000 of the financing (the amount originally assumed to be issued in the form of preferred) were shifted to debentures, there would be a saving after taxes (as shown above) of about 3.07% or about $70,000 a year. This would be over 3 cents a share on the Common Stock and while not substantial in amount, the company under the impact of increased taxes, and while awaiting a rate increase, might feel justified in making every possible gain in the balance of earnings for Common in order to maintain this amount at as high a figure as possible and protect its dividend payout.

This temptation, to turn to greater debt financing and particularly to substitute debt for Preferred Stock, is greatly increased by the fact that dividends on new issues of utility preferred stocks are not deductible for income tax purposes, although preferred stock issued prior to October 1, 1942 is deductible under the present law to the extent of 31% of the dividends paid. This differential between old and new preferred stock appears to be without rhyme or reason. Originally the date limitation was inserted to prevent companies from taking advantage of the deductibility of the preferred dividends by recapitalization. etc., but the date has now obviously long ago outlived whatever usefulness it ever had.

A simple change in this date

	At March 31, 1951 or for 12 Months Then Ended	Adjustments for Expansion	Pro Forma March 31, 1952 Giving Effect to 1951 Expansion
Gross property	$120,000,000	*$17,000,000	$137,000,000
Reserve	20,000,000	*2,000,000	22,000,000
Net property	$100,000,000		$115,000,000
6% thereon	6,000,000		6,900,000

*Assumes $1,000,000 retirements.

—(000 Omitted)—

	12 Months March 31, 1951	Adjustments for Expansion and Financing	12 Months March, 1952 (pro forma)	Adjustment for Increase in Tax Rates	Pro Forma Adjusted
Gross income before Federal taxes	$9,430	$1,402	$10,832	------	$10,832
*Federal taxes (43.25%)	3,430	502	3,932	+$948	4,880
Gross income after Federal taxes	$6,000	$900	§$6,900	— 948	**$5,952
Bond interest	1,500	244	1,744	------	1,744
Net income	$4,500	$656	$5,156	— 948	$4,208
Preferred dividends	600	107	707	------	707
Balance for common	$3,900	$549	$4,449	— 948	$3,501
Per share	†$1.95	------	‡$2.02	------	‡$1.60

*On above gross income after bond interest. †On 2,000,000 shares, selling at 22¼ (6.28% yield). ‡On 2,207,500 shares including 207,500 shares sold at $20 per share or 11.4 times earnings, with 10% discount off market to raise $4,150,000. §6% return. **5.18% return.

from October 1, 1942 to July 1, 1951 in the new tax law, with a provision for deducting dividends on subsequent issues where the utility could prove the preferred stock was issued for construction or some other bona fide purpose, would not only help utilities to absorb some of the impact of the higher tax rates, but tend as well to stimulate sales of preferred stock instead of unsecured debt securities, which are now entitled to the interest deduction.

While technically preferred stock dividends are not obligations like interest, as a practical matter these dividends are considered by the utilities and the stockholder as the equivalent of fixed charges. Preferred Stock is today a recognized component of the capital structure of electric utilities and has always been so recognized by the Securities and Exchange Commission. In its original capitalization formula (in the El Paso Electric case) it suggested 50% in bonds, 25% in preferred, with a minimum of 25% in Common; (although it has preferred a somewhat higher Common ratio and consequently a lesser ratio of Preferred Stock). Presently the Preferred Stock capitalization ratio of the electric utilities is a weighted average of around 14% or 15%.

A change in the tax law either making Preferred Stock dividends fully deductible or at least permitting the present 31% deduction to apply to Preferred Stock issued after October, 1942, would help substantially in removing a large part of the present differential in the net cost of selling Preferred Stock as compared with debt securities and thus tend toward sounder capital structures for electric utilities.

Maxwell B. Roberts With Hayden, Stone

Announcement has been made that as of June 1, Maxwell B. Roberts was appointed manager of the Customers' Service Department for Hayden, Stone & Co., 25 Broad Street, New York City. Mr. Roberts has been associated with the "Street" for many years with various Stock Exchange member firms.

Maxwell B. Roberts

Hayden, Stone & Co. are members of the New York and Boston Stock Exchanges, New York Curb Exchange, and Chicago Board of Trade.

Now It Can Be Told

This year the "Bawl Street Journal" awarded a $50 prize, and the feature position in its edition, to the writer of the best article on "What Would Happen If MacArthur Were Made President of the Stock Exchange"?

Although no mention was made in the "Bawl Street Journal," we thought you ought to know that the winner in this contest, and the author of the satire on MacArthur, was none other than our own Roving Reporter, Ira U. Cobleigh, author of *"How to Make a Killing in Wall Street and Keep It!"*

With Jones, Cosgrove

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. Chester W. Boxley has been added to the staff of Jones, Cosgrove & Miller, 81 South Euclid Avenue, members of the Los Angeles Stock Exchange.

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The Menace of Profit Starvation

school for those whose obligation it is to develop ideas of controls.

On the flyleaf of the text book for this school there might well be written these words:

"I am against controls for controls' sake.

"I will decontrol at the drop of a hat.

"I will not attempt to fit all manner of industry into a single Procrustean bed of controls.

"Each control I advocate will have to pass this all important test—will it increase production?

"I will always remember that one declaration of independence containing the word 'de-control' is worth a hundred declarations of restraint containing the word 'control.'

"I know and will forever recognize that when it comes to production, an ounce of independent voluntary action is worth a pound of controls."

And to those words on the flyleaf there might well be added this statement:

"Each day I will look about me at the homes of my fellow workers, at the increasing comforts of their lives, at their churches and their schools, at their personal skills and recreations, at their freely acquired knowledge of public affairs, at their individual and collective influence over their own daily lives, and at their unparalleled records in national crises. And each day I will renew my faith in the individual voluntary acts of my fellow men — which have brought this about. And I will act upon that faith."

First Boston Group Offers Utility Shares

The First Boston Corp. headed a nationwide group of 46 investment firms which on June 12 offered for public sale 256,842 shares of common stock of The Kansas Power & Light Co. at $16 per share. The offering represents authorized shares not previously issued and the proceeds from the sale will be used by the utility company to finance in part its construction program, including the payment of $3,000,000 of bank loans incurred for that purpose.

To meet increasing demands for electric and gas service the company is expanding its facilities substantially. Construction expenditures for 1951 and 1952 will total an estimated $28,536,000, approximately three-fourths for electric facilities and the remainder for gas facilities.

Operating in the northeastern and central portions of Kansas, the company supplies electric service to 328 communities with an aggregate population in excess of 489,000. Communities served include Topeka, Hutchinson, Salina, Leavenworth, Atchison and Emporia. The company provides retail natural gas service to 110 communities and sells at wholesale to two gas utility companies.

Two With Edward Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter P. Moran and Richard F. Taft have become affiliated with Edward E. Mathews Co., 53 State Street.

With Wm. S. Prescott

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Alexander F. Wadsworth has become associated with William S. Prescott & Co., 201 Devonshire Street. He was formerly with H. C. Wainwright & Co. and Perrin, West & Winslow.

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Mutual Funds

for the Southern District of New York; an assignment of all the interest of Blue Ridge in the so-called Marco case, a derivative stockholders' suit brought on behalf of Blue Ridge against third persons and now pending in the New York Supreme Court for Kings County, in which Blue Ridge, although nominally made a defendant, is participating as a party plaintiff; an assignment of the 806,248 shares of common stock of Central States owned by Blue Ridge; and approximately $300,000 in cash to defray the expenses of organization and continued corporate existence of the Realization corporation and the expense of continuing such litigation.

It is presently anticipating that in exchange for such assets Ridge Realization Corp. will issue 7,422,483 shares of its common stock having a par value of one cent per share, which will constitute all its outstanding stock. Such stock, under present proposals, will be issued to Blue Ridge and thereafter distributed by Blue Ridge as a dividend, share for share, to the holders of Blue Ridge common stock. The Agreement of Merger provides that such segregation of assets will be effected prior to the effective date of such agreement.

While the value of the assets to be transferred to the Realization corporation is now entirely conjectural, any recoveries made either in the lawsuits or with respect to the common stock of Central States will be distributed to the stockholders of Realization corporation, who constitute the present stockholders of Blue Ridge.

The following is a list of the directors and officers of Blue Ridge Mutual Fund together with other existing positions:

George A. Sloan, President and Director; also is Director of Goodyear Tire & Rubber Company; Director of Great American Insurance Company; Director and member of the Finance Committee of U. S. Steel Corporation; President and Public Trustee of Nutrition Foundation, Inc.; Chairman of United States Council of International Chamber of Commerce; former President and Chairman of Board of Cotton-Textile Institute. Mr. Sloan is also at present a director of Bankers Trust Company, of New York, but intends, on or before the effective date of the Agreement of Merger, to resign as such director in order to qualify under the provisions of section 32 of the National Bank Act of 1933, as amended, as a director and President of the New Company.

Herbert W. Grindal, Treasurer and Director; also partner in Reynolds & Co., investment bankers and stock brokers, New York, N. Y.; Director of Blue Ridge Corporation.

Carl J. Austrian, Director, also partner in Austrian & Lance, attorneys, New York, N. Y., Trustee of Central States Electric Corporation, Debtor; President and Director of Blue Ridge Corporation.

C. Prevost Boyce, Director; also partner in Stein Bros. & Boyce, investment bankers, Baltimore, Md.; Chairman of Board of Directors of Bayway Terminal Corporation and Pennsylvania Coal & Coke Corporation; Director and member of Executive Committee of New York, New Haven & Hartford R.R. Co.; Director of National Bond Holders Corporation and Lord Baltimore Hotel; former member of Board of Governors of Baltimore Stock Exchange and Investment Bankers Association of America.

Thomas C. Egan, Director; also Attorney, Philadelphia, Pa.; counsel for 7% Preferred Stockholders' Committee in Central States reorganization.

D. Samuel Gottesman, Director; also President of Central National Corporation, investment bankers and security dealers, New York, N. Y., and Gottesman & Co., pulp merchants; Director of Rayonier, Inc. and Eastern Corporation.

Ralph T. Reeve, Director; also President, Treasurer, and Director, of Bowen Engineering Inc. and The Reeve Company; Vice-President and Director of Trimmer Lumber Company; Chairman of Reeve Debenture Holders' Committee in Central States reorganization; former Director of Derby Gas & Electric Corporation; former member of Corporation Buying Department of Halsey, Stuart & Co.; former head of Corporation Buying Department of McClure, Jones & Co.; former member of Investment Department of Connecticut Mutual Life Insurance Company.

C. Lothrop Ritchie, Director; also Director and former Secretary and Treasurer of Bell Telephone Company of Pennsylvania, Philadelphia, Pa.

Leon C. Sunstein, Director; also partner in Gerstley, Sunstein & Co., stockbrokers, Philadelphia, Pa.; former managing officer of Alliance Investment Corporation.

Milan D. Popovic, Vice-President; also Vice-President of Blue Ridge Corporation.

Emmons Bryant, Assistant Treasurer; also partner in Reynolds & Co., investment bankers and stock brokers, New York, N. Y.

Raymond W. Hofmann, Secretary; also financial analyst, Blue Ridge Corporation.

DIRECTORS OF Scudder, Stevens & Clark Common Stock Fund declared that, since reopening for the issue of new shares in the spring of 1950, the Common Stock Fund has more than tripled in size, with total net assets amounting to $2,199,020 on June 8, 1951. This equals $27.18 per share on 80,895 outstanding shares. The per share net asset value a year ago was $24.54.

Scudder, Stevens & Clark Fund reports total net assets of $35,464,897 on June 8, 1951, equal to $56.60 per share on the 626,543 shares outstanding on that date. This compares with total net assets of $35,464,897 on June 8, 1951, equal to $56.60 per share on the 626,543 shares outstanding on that date. This compares with total net assets of $32,172,255 on June 8, 1950, equivalent to $54.41 per share on 591,258 shares.

Railroad Securities

Monon

Five years ago, when the new management took over control of the Monon, the road's physical condition could only be described as deplorable. Similar observations could be made relative to the condition of its equipment, both cars and motive power. Today, some five years later, great strides have been made in effecting physical rehabilitation. A trip over the Line and through the company's shops discloses substantial progress already accomplished. New ties have ben substituted (35% of 2,250,000 now laid in track), much new rail has been installed with relay rail placed in the Michigan City branch which, under previous management, had been slated for abandonment. The road is now 100% dieselized and most of its antiquated equipment has been eliminated, with new freight and passenger cars substituted in their stead.

The work of transforming the property to highest Class I standards has not as yet been completed, great as progress to date has been. Should business be maintained at current high levels for three or four years, management is planning to allocate approximately $1.6 million "excess" maintenance to bring the property up to highest Class I standards. In that event the Monon should rank physically with any major railroad operating in its territory.

As a consequence of work already accomplished, Monon's efficiency has risen sharply, its transportation ratio having declined from 44.1% in 1946 to 33.8% in 1950, with 32.7% for the first four months in 1951. This improvement in operating efficiency has been reflected in increased earnings, with fixed charges covered 8.44 times in 1950, overall charges 2.52 times, all charges, including preferred dividends 1.68 times, and with earnings of $3.78 on the Class A and $4.44 on the Class B stock respectively. The latter does not allow for any participation of the "A" stock in accordance with indenture requirements. For 1951, full year's results should be somewhat higher than those of 1950.

As of emergence from reorganization, the company had outstanding $7.61 million of first mortgage Income 4s, 1983, and $8.91 million of second mortgage Income 4½s, 2003. Despite relatively poor earnings of recent years, accounted for in large measure by heavy maintenance expenditures which drained much of the company's liquid funds, the Monon managed to reduce, by the end of 1950, its holdings to $6.44 million 1st 4s and $7.55 million 2nd 4½s. Since that time management has retired almost $500,000 additional bonds.

The first mortgage Income bonds are a first lien on all properties, are currently callable at 103.20% and have the benefit of an annual sinking fund of $50,000. The Junior bonds are callable at par and are secured by a lien on all of the company's property, subject to the first mortgage. Annual sinking fund of $50,000 plus 25% of total dividends declared on the Class A and B stocks in any given year is provided.

The Income 4s are selling at 65 and provide a current yield of 6.15%, and the Income 4½s are selling at 57 and provide a yield of 7.89%. They appear relatively attractive in relation to Income bonds of comparable quality.

The Class A stock appears to be more desirable than the Class B. Until 1951 no dividends were paid on the Class A, but an initial dividend of $1.25 (payable out of 1950 earnings) has reduced arrears to $3.75 per share. The Class A is entitled to $1.25 per share, if earned, and shares equally in dividends with the Class B after the latter has been paid $1.25 per share. Both Class A and B stocks have equal voting power. The Class A is callable at $25 per share, plus accrued dividends. The Class A sells around 13½ and the Class B around 9¾, which spread represents the equivalent of Class A dividends arrears of $3.75 per share.

James J. Lee Pres. Of N. Y. Bond Club

James J. Lee of Lee Higginson Corporation was elected President of The Bond Club of New York at the annual meeting in connection with the Club's 27th Field Day. He succeeds Clarence W. Bartow of Drexel & Co.

James J. Lee

Joseph A. W. Iglehart of W. E. Hutton & Co. was elected Vice-President to succeed Mr. Lee. William H. Morton of W. H. Morton & Co. Inc. was elected Secretary and Wells Laud-Brown of Bankers Trust Company, Treasurer.

New members elected to the Board of Governors are Walter F. Blaine of Goldman, Sachs & Co., William M. Rex of Clark, Dodge & Co., and P. Scott Russell, Jr., of Glore, Forgan & Co.

A record turnout of about 500 bankers and bond men attended the 27th annual field day of the Bond Club.

As a forerunner of the outing, the "Bawl Street Journal" appeared in Wall Street late Thursday afternoon (June 7), crammed with cartoons, advertisements, pictures and articles poking fun at men and events in finance and politics.

The outing got under way at 8:00 a.m. Friday when the early birds teed off in the Bond Club's annual golf tournament, which was streamlined this year to enable several hundred players to make the round before lunch.

Winners in the golf tourney were:

Philip K. Bartow, Wood, Struthers & Co., and Elmore C. Patterson of J. P. Morgan & Co., Inc., who took the Ex-President's Cup for Low Gross with a score of 80.

Candee Cup for Low Net was won by John Linen, Chase National Bank, and Adrian Massie of the New York Trust Company.

The Christie Cup for Match Play Against Par was won by Gilbert Stanley of Merrill Lynch, Pierce, Fenner & Beane, and Malcolm Sedgwick of Home Insurance Company.

Winners in the tennis tournament were D. Stralem of Hallgarten & Co. and Stanley Miller, Goldman, Sachs & Co. Marquette De Bary, F. S. Smithers & Co., and Gilbert Wermann, White, Weld & Co., were semi-finalists.

Special awards were won by E. Norman Peterson, Equitable Securities Corporation; John B. Roll, J. B. Roll & Co.; E. Jansen Hunt, White, Weld & Co.; Robert C. Johnson, Kidder, Peabody & Co.; and James B. Whitley, Stuart & Co., Inc.

Another event, a new type of harness racing with rigs and drivers entered in the names of major underwriters, was won by R. Parker Kuhn of the First Boston Corporation.

Lee Higginson Group Offers Paper Firm Stk.

The first public distribution of common stock of a leading manufacturer of kraft and tissue paper was made on June 13 with the offering of 220,000 shares of class A common stock of Hudson Pulp & Paper Corp. The Lee Higginson Corp heads a banking group which is offering the stock at $18 per share. Of the shares being offered, 200,000 shares are being sold by the company which will use the proceeds to maintain its policy of integrating and diversifying its operations and of improving and expanding its facilities. The balance of 20,000 shares is being sold by several stockholders to whom the proceeds will accrue.

Formed as a corporation in 1937 as an outgrowth of a paper jobbing business established in 1896, Hudson Pulp & Paper Corp. and its predecessor companies have been under the management and ownership of the Mazer family for many years. Upon the sale of the 220,000 shares of class A common stock, the Mazer group will own 280,000 shares, or 56%, of the 500,000 outstanding shares of class A stock as well as all of the outstanding 500,000 shares of class B common stock. In addition the company has outstanding $9,873,822 in notes and 210,600 shares of cumulative preferred stock.

The company proposes to inaugurate dividends on the class A common stock, the prospectus states, the first quarterly payment of 31½ cents per share to be made on Sept. 1, 1951. The company has no present plans for inaugurating any dividends on the class B stock.

Of total sales of approximately $21,700,000 recorded for the fiscal year ended Aug. 31, 1950, approximately 57% was derived from the kraft division. While sales in this division for a number of years prior to 1946 comprised gummed sealing tape, of which the company is one of the largest domestic manufacturers, in recent years production and sales of unconverted kraft and wrapping paper and grocery bags have expanded considerably. In the tissue division, the company's principal products are household paper napkins and roll towels in which field the name of "Hudson" ranks among the leaders. Major outlets for the company's products are the large retail food chain stores.

Under its current expansion program, involving an expenditure of $8,800,000 the company will expand the present overall capacity of its three mills, approximating 110,000 tons, to 175,000 tons of paper annually. Net sales for the seven months ended March 31, 1951, aggregated $17,799,333 and net income after taxes amounted to $1,882,228.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The board of directors of **Chemical Bank & Trust Co. of New York has** elected Earl Sandmeyer Director of Public Relations, N. Baxter Jackson, Chairman, announces. Mr. Sandmeyer has been associated with the North American Company as Assistant to the President since 1940. Previously he was financial writer for the New York "Herald Tribune" (1938-1940) and Financial Editor of the Rochester "Times-Union" and the Rochester "Democrat & Chronicle" (1929-1938). A native of Lindley, N. Y., he is the son of the Rev. and Mrs. J. H. Sandmeyer of Tonawanda, N. Y., and an alumnus of Ohio Wesleyan University. Mr. Sandmeyer will be located at the main office of the Chemical Bank at 165 Broadway, where he will be in charge of public relations and advertising for the bank and its 18 branch offices througnout the metropolitan area.

Earl C. Sandmeyer

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Charles W. Buek, Russell H. Johnson, Leonard T. Scully, Robert C. Shriver and James P. Tobey have been appointed Assistant Vice-Presidents of **The United States Trust Company of New York,** it is announced by Benjamin Strong, President. Mr. Buek, who has been with the company's investment department since September, 1933, was appointed an Assistant Secretary in 1948. Mr. Johnson is one of the company's operations officers. He joined the bank's staff in 1929 and was appointed an Assistant Secretary in 1946. Mr. Scully is one of the company's Trust Administration Officers. He has been with the company since 1934 and was appointed an Assistant Secretary in 1948. Mr. Shriver came to the company in 1940 and was appointed an Assistant Secretary in 1948. He is a banking department officer. Mr. Tobey, who joined the company in 1932, is also a Trust Administration Department Officer. He was appointed an Assistant Secretary in 1948.

* * *

Thomas J. Shanahan, President of the **Federation Bank and Trust Company, of New York,** announced that at a meeting held on June 12, the board of directors appointed Maurice W. Miller, Jr. an Assistant Treasurer of the Grand Central Zone Office, 6 East 45th Street. Mr. Miller was formerly associated with the **Commercial National Bank and Trust Company.**

* * *

Alfred H. Hauser has been elected to the Board of Trustees of **Empire City Savings Bank of New York,** Charles Diehl, President, announces. Mr. Hauser is Vice-President and chief investment officer of **Chemical Bank & Trust Company.**

* * *

The Board of Trustees of **The Bowery Savings Bank of New York** on June 11 elected George H. Woodin Vice-President. Mr. Woodin, with 46 years' association with The Bowery, is a senior employee in length of service. He started in 1905 as an office boy at the 130 Bowery office. In 1931 he was appointed Deputy Controller; in 1932, Deputy Mortgage Officer; in 1933, Assistant Treasurer; and in 1939, Assistant Vice-President.

* * *

The National City Bank of New York announced on June 7 the completion of the sale of 1,000,000 new shares of its capital stock which was offered to shareholders at $40 per share. The sale increases the capital funds of the bank by $40,000,000. Of the 1,000,000 shares, 978,215, or 97.8%, were subscribed for through the exercise of the rights issued to shareholders. The remaining 21,785 shares, in accordance with the agreement with the underwriting group headed by the First Boston Corporation, were offered for subscription to the officers and employees of the bank and its affiliated institutions at $40 per share. Applications totaling in excess of the shares available were received, it is announced, from 1,282 officers and employees, and the maximum number of shares allotted on any application was scaled down from 200, as originally specified, to 150. Of the $40,000,000 raised by the sale of the additional shares, $20,000,000 was added to capital and $20,000,000 to surplus. This brings the capital of the bank to $144,000,000 and the surplus to $156,000,000. Undivided profits are approximately $60,000,000. It is stated that total capital funds of the bank and the City Bank Farmers Trust Co., its trust affiliate, are increased to slightly more than $390,000,000. Deposits of the City Bank at the last quarterly statement date were $5,168,000,000. National City operates 67 branches in New York City and 54 branches overseas. Items bearing on the issuance of the additional shares of the bank's capital appeared in these columns May 3, page 1867, May 10, page 1962, and May 17, page 2062.

* * *

The Fifth Annual National Scholastic-Ansco Photography Exhibition, from June 1 to July 1, is announced by the **East River Savings Bank of New York** at its offices at 50th Street and Rockefeller Plaza. This exhibition contains 115 national award-winning photographs by junior and senior high school students selected through the photography awards conducted by scholastic magazines. It will continue in the windows and gallery throughout June.

* * *

Announcement was made on June 1 by the New York State Banking Department that approval was given on May 25 to a certificate providing for an increase in the capital stock of the **Hempstead Bank, of Hempstead, N. Y.,** from $500,000 to $600,000. The stock is in shares of $10 each.

* * *

Effective May 31, the **Peninsula National Bank of Cedarhurst, N. Y.,** increased its capital from $350,000 to $500,000; the enlarged capital was brought about, according to the weekly "Bulletin" of June 4 of the Office of the Comptroller of the Currency, by a stock dividend of $87,500 and the sale of new stock to the amount of $62,500.

* * *

By the sale of new stock to the amount of $37,500, the **Byram National Bank of East Port Chester, Conn.,** increased its capital, effective May 14, from $162,500 to $200,000.

An exhibit of photographs and other illustrative material depicting the Coney Island of a half century and more ago will be placed on display in the Coney Island branch of **The Dime Savings Bank of Brooklyn, N. Y.**, today (June 14) as the branch begins observance of its first anniversary. Opened at Mermaid Avenue and West 17th Street, on June 16, 1950, the Coney Island branch of "The Dime" holds today deposits of $8,754,000 in 10,583 accounts. The 14,000 families in the Coney Island area have received invitations to view the exhibit and receive a 16-page illustrated booklet telling the story of Coney Island and some of its famous personalities from the time Dutch traders bought the Island from the Canarsie Indians down to the present. The display, which will remain on view for several weeks, has been gathered by officials of The Dime Savings Bank from old-time residents, the Brooklyn Borough Gas Co., and the Brooklyn Museum. In addition to the display, visitors will see two 30-foot murals from floor to ceiling of the bank's mezzanine depicting Canarsie Indians manufacturing wampum and Dutch traders dealing with the Indians.

* * *

National Bank of Germantown and Trust Company, Philadelphia, announces the election of W. Atlee Burpee, Jr., as a member of its board of directors. Mr. Burpee is Vice-President and Treasurer of the W. Atlee Burpee Company and President of Bailey, Banks & Biddle Co., both of Philadelphia.

* * *

In accordance with plans heretofore indicated in these columns, **The Pennsylvania Company for Banking and Trusts of Philadelphia** is offering to holders of its capital stock the right to subscribe for 200,000 shares of its capital stock at $32 per share on the basis of one new share for each 5½ shares held of record May 28. Under date of June 7, it was announced that the company has entered into an underwriting agreement for the purchase of any unsubscribed shares at the subscription price by an underwriting group headed by Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Smith, Barney & Co. The rights to subscribe issued to stockholders will be evidenced by transferable warrants expiring on June 20. William Fulton Kurtz, President, recently informed the stockholders that upon completion of the proposed financing certain adjustments will be made in the company's undivided profits account to bring the surplus account up to a total of $27,000,000 and capital and surplus combined to $40,000,000. Items regarding the proposed issuance of additional shares of stock appeared in these columns April 5, page 1488, May 17, page 2062, and May 31, page 2258.

* * *

Three new officers of **The Bank of Virginia, at Richmond, Va.**, were elected at the June 8 meeting of the bank's directors in Richmond. They are: William Stanley Hayden, Auditor for the bank's three offices in Norfolk; Charles Alvah Jewell, Assistant Cashier in Newport News, and Moreland Henley Smith, Assistant Cashier in Richmond. Mr. Hayden began his banking career in 1925 and has been with The Bank of Virginia since 1946. Mr. Jewell has worked with The Bank of Virginia since he left school in 1938. Mr. Smith began banking work in 1925 and joined The Bank of Virginia in 1948.

O. N. Sellers Opens

CHICAGO, Ill.—O. N. Sellers is engaging in a securities business from officers at 4876 North Clark Street.

Continued from page 13

Abuses in Public Power Administration

of the lines means is that much of the power to be generated along the river in South Dakota will move out of this state unless—a very important unless — South Dakota shifts to public power.

"The story is an old one, but perhaps it should be reviewed. Federal legislation governing the distribution of power from the river dams provides that publicly owned electrical systems including cooperatives, have first priority. If there's any power left over after their wants have been satisfied, then privately owned companies may purchase it for distribution.

"This provision resulted in a considerable uproad in South Dakota because the electrical distribution systems in this state are generally privately owned. It was the contention of many South Dakotans, including the 'Argus-Leader,' that it should not be necessary for communities in this state to abandon private enterprise and adopt public ownership to share in the benefits accruing from the dams. Their thought was that it should be the privilege of a community to decide for itself, without pressure or favoritism from Washington, whether it wanted to have a municipal electric system or a privately owned one. * * *

"Obviously, the Bureau of Reclamation doesn't intend to allow any of this power to go to privately owned electrical systems. It is determined, apparently, to force public ownership upon any community before it can obtain any power from the dams.

"This doesn't make sense. It is unfair and wholly contrary to the American way. The plan is clearly one set up by socialistic planners.

"Most major cities in South Dakota are now served by privately owned distribution systems. Among them are Aberdeen, Huron, Mitchell, Yankton, Sioux Falls, Lead, Deadwood and others.

"Watertown, for example, is served by a municipally owned system.

"At it now stands, Watertown can obtain power from Randall, but Aberdeen can't.

"Just why should the people of Watertown be entitled to this privilege and the people of Aberdeen denied it?

"Does it make sense to say that the Aberdonians must abandon their private enterprise system in order to share in whatever the benefits are? Are the Watertown residents to be the chosen people, the favored class, solely because they have a municipally owned power system"?

Despite the strenuous efforts of public power advocates within and without the Administration throughout the past 18 years, more than four-fifths of the consumers of electric energy in this country continue to be served by investor - owned companies, as against less than one-fifth served by various public bodies and government agencies. The four-fifths represent somewhat more than that percentage of the nation's taxpayers who provide the funds and supply the credit for the construction of all such governmental projects, but the four-fifths receive no benefit whatever from tax-free, government energy until the requirements of existing preference customers, and such potential customers as the Department of the Interior can conjure into being, are completely satisfied.

Such patent and blatant discrimination is wholly unjustified, except perhaps in the minds of those who believe that their ultimate goal, socialization of the electric utility industry, justifies whatever means they may employ. There obviously are two ways in which the discrimination can be removed: either make tax-free government power equally available to public bodies and investor-owned utilities alike or completely socialize the entire electric utility industry.

The preference clauses clearly are the keystone of the public power arch. Indeed, the whole program of the Department of the Interior, and its allies among the public utility district brethren, the promoters of grandiose public power schemes for private profit, sundry other Federal agencies and the various peddlers of tax-free bonds for the particular benefit of persons in high-income brackets, depends upon these preference provisions which discriminate so outrageously against four-fifths of the people.

Secretary Chapman in his statement before a Senate Subcommittee on May 8, 1951, complained bitterly about the Keating amendment restricting the construction of additional transmission lines, saying, among other things, that if that amendment is concurred in by the Senate, "The established public power program would thus be thwarted and preference customers, including rural electrical organizations and Federal agencies, would be denied the benefit to which they are entitled under the law." It may well be the understatement of the week to say that there are several persons in this audience who will not leap from any bridges whatsoever if the hideous prospect which Secretary Chapman envisions becomes a reality.

Resolution of Conference of Utilities Commissioners

Fortunately, there are others who join us in viewing the preference clauses as less than inspired. For example, at the Mountain-Pacific States Conference of Railroad and Utilities Commissioners representing 11 Western states held at Seattle May 11 and 12, the following resolution, which speaks eloquently for itself, was adopted:

"Whereas, provisions contained in various Federal statutes give preference to public bodies and cooperatives in the sale of electric power produced at government power plants, which preferences unjustly discriminate against numerous citizens and electric users who are served by electric utility companies under state commission regulation; and

"Whereas, such preferences have been and are being used to foster and expand public power projects to the detriment of the customers of regulated utilities; and

"Whereas, the benefits of power produced at Federal projects should be made available to all users of electricity on equal terms;

"Now, therefore, be it resolved that the Congress of the United States be urged to adopt a Federal power policy which will make power generated at Federal projects available to all citizens and users without discrimination, and that the provisions contained in existing statutes relating to the disposition of electric power and energy from Federal projects be rescinded."

Furthermore, there is less and less public support for the public power program. The recent Fifth National Opinion Survey conducted by Opinion Research Corporation shows that today only 37% of the public favor some form of government operation of their local electric utilities, as compared with 43% as recently as 1949; that only 15% feel their local utilities make too much profit, as compared with 20% in 1949 and 25% in 1945; and that only 15% believe that Federal government production and sale of all electricity in this country would be a good idea, as compared with 25% in 1949.

No Such Thing as a "Free Lunch"

I think it may fairly be said that the public at last is beginning to realize the truth of that profound aphorism, "There is no such thing as a free lunch." It has taken some time, but taxpayers in New York City and Denver and Des Moines finally have received an inkling that they are paying the bill for tax-subsidized so-called cheap power in Tupelo, Mississippi, Nashville, Tennessee and Seattle, Wash.

The situation was admirably summarized in The National City Bank's monthly letter of June, 1950:

"The well-advertised cheapness of public power rates is a myth from a national standpoint. * * * What one citizen saves on his electric rate, another citizen makes up in his tax."

Since Denver pays part of the bill for Tupelo's tax-subsidized electric energy, perhaps Tupelo would be willing to provide its appropriate share of the Federal funds required to supply false teeth at bargain prices for every resident of Denver, whether needed or not. Or better yet, so long as all the taxpayers provide one-fifth of the country with cheap power, let the remaining four - fifths, the discriminated-against four-fifths, be furnished one bottle of free Bourbon for each two bottles they buy. Even a corporation lawyer might get himself elected to Congress on such a platform!

By way of summary, the clauses in existing Federal legislation, as they have been abused, misinterpreted and enlarged upon in recent years, have enabled a closely-knit group to set up vast Federal power monopolies not subject either to local regulation or to local taxation. Furthermore, if the discriminatory techniques now being used continue to be employed, the socialization of our electric utility industry can be achieved in less than a generation. If we believe in the free enterprise system, it surely must be said that, not for the sake of what Secretary Chapman would call "special interests," but in the overall national interest, this trend must be stopped and then must be reversed. I am indebted to Wm. A. Bryans, III, of the Denver Bar for this significantly apposite quotation from the Supreme Court's decision in the *Carter Coal Company* case,[1] written by another great far-Westerner, the late Mr. Justice Sutherland:

"Every journey to a forbidden end begins with the first step; and the danger of such a step by the Federal government in the direction of taking over the powers of the states is that the end of the journey may find the states so despoiled of their powers, or—what may amount to the same thing—so relieved of the responsibilities which possession of the powers necessarily enjoins, as to reduce them to little more than geographical subdivisions of the national domain.* * *"

The "Continuing Fund"

Now let me devote just a few moments to another device, also clearly beyond the intent of Congress, which our public power friends are attempting to use, particularly in the Southwest and the Southeast. And of course I am referreding to the so-called "continuing fund."

The Southwestern Power Administration (SPA), which has been the Interior Department's bell-wether in the development and use of this interesting technique, received in 1949 Congressional authorization,[2] for a "continuing fund" of $300,000 to defray

1 Carter vs. Carter Coal Company, 298 U. S. 238, 295-296 (1936).
2 63 *Stat.* 868, Oct. 12, 1949.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

I started off last week's column discussing the two-three possibilities facing the market. I suppose to the casual reader this sounded like double-talk. The fact is that few markets are clean cut affairs except in their final stages of particular cycles. And even then there are rough and ragged edges that make a clear picture difficult to obtain.

* * *

As this is being written the familiar averages have climbed up a bit more, with the optimists starting to breathe a little easier. Underneath all this, however, is the same old disquiet; the fear that something will explode somewhere and upset all the calculations.

* * *

That news will continue to come in, both good and bad, must be taken for granted. A good deal of the coming news will be anticipated by the market action but some of it will come as a surprise; a surprise to the general public at any rate. This doesn't imply that the so-called insider knows what is coming. It does mean that a general pattern (good or bad) has been anticipated and pieces of news that come in are merely facets of this pattern.

* * *

In last week's column I repeated the advice of the previous week's article in which I suggested buying again. There were various reasons for this. However, reasons are academic. The actual basis for turning bullish was market action itself.

* * *

You have since seen what the market has done. The question now is what will it do from here. You'll notice how I can pose questions. When it comes to answering I'm as cute as the next guy.

* * *

But not trying to be cute or evasive, my considered opinion is that such groups like the amusements, particularly those associated with television, foods, chemicals, tobaccos and some utilities, will do better from here on.

* * *

On the other side of the scale the popular motors and steels, and perhaps the rails, show very little promise for the immediate future. In fact if you're inclined to go short you might limit your short sales to stocks in these groups.

* * *

You'll notice that these haven't been answers to the question I posed myself, "what will they do from here"? The chief reason is that there's no pat answer that is all encompassing. The market is made up of different things. If you're long of Steel and it goes down while the rest of the market goes up, you're in a personal bear market. The same analogy can be drawn all over the list.

* * *

I feel the market will go up some more but don't lull yourself into any feeling that there's nothing to worry about any longer.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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Abuses in Public Power Administration

"emergency expenses necessary to insure continuity of electric service and continuous operation of facilities" employed to transmit surplus energy to purchasers. The Congressional intent clearly was to permit the Administrator to enter into contracts with investor-owned utilities similar to his agreement with Texas Power & Light Company, an agreement which had made unnecessary the construction of competing government transmission lines in that company's service area.

However, Administrator Douglas Wright, not content with the purpose for which Congress approved his continuing fund,[3] has proceeded, by a simple process of writing one check after another, to expand his $300,000 authorization to an aggregate figure equaling the gross receipts of the Southwestern Power Administration.

As Richard Arnold of Texarkana said in the pending Arkansas case, Mr. Wright's "continuing fund * * * never does go dry. It is like a bottle of milk that appears on your doorstep every morning. You use it all day and put it in the ice box and the next morning you get up and it is full."

Taking full advantage of his magical milk bottle, Mr. Wright, the Rural Electrification Administration and certain super-co-operatives set up to operate in Missouri and in Arkansas have made arrangements under which the co-ops are to borrow REA funds in the amounts necessary to construct steam generating plants and extensive transmission facilities. Then Mr. Wright is to take over under long-term power contracts and leases which will place all of these newly constructed facilities under SPA tight controls which could hardly be more effective if Congress had made direct appropriations to the SPA for the construction of every kilowatt of steam generating capacity and every mile of transmission line.

By way of testing the legality of the Missouri scheme, Kansas City Power & Light Company, Missouri Power & Light Company, Union Electric Company and others have brought an action against Secretaries Chapman, Brannan and Snyder, SPA Administrator Wright and REA Administrator Wickard to enjoin the whole Missouri SPA-REA-Super Co-op program. Counsel headed by Raymond T. Jackson of Cleveland have charged in their complaint that the effect of the proposed arrangements would be (1) to lend REA funds unlawfully; (2) to enable SPA in substance to construct unnecessary transmission lines in violation of the Flood Control Act and the Rural Electrification Act; (3) to enable SPA to acquire steam generating plants which the Congress has not authorized, and (4), among other things, to enable SPA to enter into destructive Federally-subsidized competition with the plaintiff companies. Government counsel's motion to dismiss the complaint has been denied and the case is now ready for trial, but court calendars in the District of Columbia are so painfully clogged that it may not be reached before the spring of 1952.

In Arkansas the super-co-op through which Administrator Wright is proposing to build what certainly will not be a low-cost steam plant, as well as a substantial network of transmission lines, is attempting to obtain a Certificate of Convenience and Necessity from the Arkansas Public Service Commission. This case is still pending, but let me say that the presentation being made by Southwestern Gas & Electric Company, Arkansas Power & Light Company and the other companies concerned seems to me overwhelmingly cogent and persuasive.

It is only fair to observe that the Congress is becoming increasingly aware of the devious techniques which our public power friends persist in using. For example, the House Committee on Appropriations,[4] reporting on the Interior Department Department Appropriation Bill for 1952, recommended the reduction of the Southeastern Power Administration's "continuing fund" from a proposed $200,000 to $50,000, with these express limitations:

"The fund recommended is to be available to defray only emergency expenses and those necessary under unusual circumstances to insure continuity of electric service and continuous operation of government facilities in the area. It is not to be available for the rental of transmission or related facilities as regular operations, nor is it to be available for the purchase of electric power and energy to firm up the government's system."

Again, in the course of his examination of D. O. Beasley of the Interior Department on March 12, 1951,[5] Congressman Ben F. Jensen, ranking Republican on the Interior Department Subcommittee, said that "there have been other employees of the Department of the Interior who have seen fit to slip around through the back door in the Southwestern Power Administration and make contracts with other power-producing and transmitting agencies which do not square in my opinion with the laws of the land."

Then Mr. Jensen went on to observe:

"* * * I think we should look at this language very, very carefully to see to it that the will of Congress is obeyed, and that we have no more of this kind of business, of an agency of the Interior Department slipping around through the back door and using a continuing fund which this Congress approved for the purpose of emergencies only and for purchasing such power as was necessary to insure constant service whenever there was a breakdown from other companies, and not enter into a contract which would purchase power over a period of 20, 30 or 40 years. I think we had better spell out exactly what we mean."

Government Waging War on American Economy

The use of these unauthorized, essentially amoral techniques can only be justified upon the theory that certain agencies of the government are waging war upon an important segment of the American economy and that, accordingly, any means, however devious, which accomplish the desired result, are appropriate in the circumstances. As Judge Charles E. Wyzanski, Jr., has written in a quite different connection,[6] the use of such techniques "cannot be defended unless we are prepared to accept the most subversive of all theories—that the end justifies the means."

Testifying in the pending Arkansas case, Congressman Boyd Tackett of that State made this observation:

"I am confident that there is a common ground upon which public power, produced under a program to make our resource development projects self-sustaining, and private power, produced by our taxpaying electric utilities, financed by investments of our people, can walk hand in hand. This meeting ground concerning hydroelectric power produced at Federal flood control projects lies in a feasible method of selling such power to existing public and private agencies at wholesale rates for distribution to the consuming public at the cheapest possible rate."

Basing my opinion on the almost agonizing efforts of public utility executives to cooperate with Federal agencies, I am certain that the vast majority of those responsible for the direction of the investor-owned electric utility industry would accept Congressman Tackett's statement that there is common ground upon which they and the Federal agencies can best serve the overall-national interest. What Congressman Tackett proposes represents fair and decent treatment. I am sanguine enough to believe that we shall get that decent treatment, either now or, as the nation's enlightenment continues, beginning January, 1953!

3 See *Sen. Rep.* No. 1941, 81st Cong., 2nd sess., p. 130.

4 Rep. No. 339, 82nd Cong., 1st Session, p. 3.

5 Hearings before Subcommittee of the Committee on Appropriations, House of Representatives, 82nd Cong., 1st Session, p. 1754.

6 May, '51, "Atlantic Monthly"; Vol. 187, No. 5, p. 30.

Bioren & Co. Offers Public Utility Stock

An underwriting group headed by Bioren & Co. is offering 20,000 shares of Southeastern Public Service Co. 6% cumulative convertible serial preference stock, series A, at $27 per share.

The company intends to use the proceeds from the sale of these shares for investment in its subsidiaries. To the extent that the proceeds are not so used, the balance will be available for increased working capital and for other general purposes.

Shares of the new stock are convertible at any time into common stock on the basis of five shares of common for each share of preference stock.

Southeastern Public Service Co., through its subsidiaries, is engaged in the manufacture and sale of ice, and the sale of natural and liquified petroleum gas. The company operates in the states of Alabama, Florida, Maryland, Mississippi, Pennsylvania and, New Mexico.

Investment Women of Phila. to Hold Party

PHILADELPHIA, Pa.—Instead of an outing, the Investment Women's Club of Philadelphia will hold a Buffet Supper Party with music and dancing, in the Mirage Room of the Barclay Hotel on Friday, June 15, 1951, from 6:00 to 10:00 p.m.

Joins Wood Struthers

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harold P. Brown has become associated with Wood, Struthers & Co., 19 Congress Street. He was formerly with Salomon Bros. & Hutzler.

Lloyd D. Fernald Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Harry E. Carlson is now associated with Lloyd D. Fernald & Co., Inc., 1387 Main Street, members of the Boston Stock Exchange.

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We Can Have Economic Strength Without Damaging Controls

der strain, with minimum discouragement to the expanding of production. New credit controls already have begun to bite.

Direct controls increase the difficulties of restoring the free competitive market system and create serious danger of losing it entirely. Indirect measures not only can and do accomplish what the direct measures are intended to accomplish, but cannot; they also constitute our best insurance against destruction of our long-run chances of preserving the system which has brought us where we now are.

Therefore, the Chamber of Commerce of the United States is firmly committed to the use of indirect controls, rather than direct controls, to hold inflation in check.

Only a few week ago, the members of the Chamber, in annual meeting here, adopted policy statements calling for prompt termination of direct controls.

I should like to read you the text of this statement on "Economic Policies for the Emergency."

Economic Policies for the Emergency

"In this period of defense emergency domestic economic policies must be followed which will most effectively gain our ends by building and preserving our economic strength.

"The objectives of these policies should be:

"(1) To achieve maximum use of the productive potential of private industry;

"(2) To promote the most effective balance of economic output as between military and civilian needs, and within these two categories: (a) To restrain inflation; (b) To distribute the burdens of mobilization equitably and efficiently; and (c) To maintain the vitality of an economy with free competitive markets.

"To meet these objectives we urge the following economic policies:

"The present program of wage and price-controls is at best only a temporary expedient. Inflation cannot be controlled effectively without relying mainly on indirect controls which strike at the sources of inflation.

"Every effort should therefore be made to make indirect controls the primary weapon against inflation. With proper emphasis on them, government wage and price-fixing should be unnecessary. Accordingly, we urge the following principles:

"(1) The stimulation of maximum production and employment by a free price and wage system that will concentrate effort on essential military and civilian needs;

"(2) Substantial reduction in governmental expenditures, Federal, State and local, to decrease the burden on production and restrain inflation;

"(3) Levying of new and additional taxes to assure pay-as-we-go, consistent with necessary expenditures, and consistent also with maintaining incentives to work and produce;

"(4) The establishment of fiscal and monetary policies which neutralize Federal debt as a source of inflation, or in other words, an end to monetization of the Federal debt;

"(5) Limiting the extension of credit to the financing of the defense program and the essential needs of agriculture, commerce and industry in such ways as will increase the strength of the domestic economy.

"(6) The stimulation of individual savings through remunerative interest rates and other incentives;

"(7) The prompt termination of all wage and price controls, with the understanding, of course, that if, and so long as, either of these controls continues, both shall be continued.

"There should be realistic application of these policies. Continuance of less effective and superficial methods will be wasteful of human and other resources and will seriously discourage and disorganize production."

Therefore, the Chamber urges Congress to launch a bona fide "We Mean Business" program of action along the lines of the policy statement I have just read. If Congress demonstrated that it is firmly committed to these lines of attack on the causes of inflation, direct controls could then be abandoned without resurgence of any serious inflationary psychological flare-up.

The recent accord between the United States Treasury and the Federal Reserve System, if continued, will play a major and effective role in reversing the cheap money policy of recent years. Interest rates are firming up. This will stimulate savings and reduce borrowing for marginal purposes. If now the United States Treasury developed a savings program which would make it abundantly worthwhile for our citizens to hold government bonds and to invest in any new issues, considerable pressure would be taken off the consumer markets.

The present lull *could* be terminated in late summer or autumn by the impact of major real developments now in prospect on the defense-spending and production front. Before that time, Congress can, if it will, sufficiently cut away the causes of inflation to insure a clear preponderance of well-grounded public sentiment against any renewal of controllism.

Adopt such a course and it becomes a detail of good judgment as to whether you extend the presently expiring powers at all, or for a very brief period of transition.

However, should Congress decide to disregard this hard-hitting program of indirect controls, which really would control inflation, and continue direct controls as embodied in the Defense Production Act, the Chamber suggests a series of recommendations.

They relate to:

(1) Title V of the Act.

(2) The domestic economy.

Labor Disputes

If Title V of the Defense Production Act is to be retained, the Chamber recommends several changes which would put into law the intent of Congress when it wrote the Act last summer.

In drafting Title V, Congress did three things. First, it reached the conclusion that Labor-Management techniques which had been built up over the years constituted a sound and constructive system which should be applicable to the mobilization period.

Second, it permitted the President to enlist the aid of labor and management in the establishment of any new machinery which might be needed to maintain labor-management harmony.

Third, Congress made crystal clear that no action should be taken which would be inconsistent with existing Federal laws, such as the Labor-Management Relations Act and the Fair Labor Standards Act.

On April 21 of this year, the President created a new procedure for settlement of labor disputes by assigning to the Wage Stabilization Board authority to handle labor disputes. This new procedure ignored the safeguards which were written into Title V, and ignored the established practices and the laws which have become basic. Our concern is that this temporary expedient, if permitted to endure, would weaken and destroy sound and constructive principles that have developed in labor-management relations.

This new procedure involves three hazards:

Bargaining Impaired

(1) Collective bargaining would be seriously impaired.

The language of the statute is plain:

"The national policy shall be to place primary reliance upon the parties to any labor disputes to make every effort through negotiation and collective bargaining and the full use of mediation and conciliation facilities to effect a settlement in the national interest."

Yet, the Executive Order 10233, issued on April 21, undertakes to set up a method for the resolving of labor relations' issues which ignores the intent of Congress. It clearly would introduce the edicts of a government agency, the Wage Stabilization Board, into the settlement of labor disputes.

We have solid experience gained from World War II as to the effect on collective bargaining which results from granting to a government board authority to settle all kinds of labor disputes. Collective bargaining is stifled whenever the parties are ready to turn over to a government board the task of resolving difficult issues, the easy way out.

Every labor relations problem becomes a dispute and weakens the individual responsibility of local management and local labor to get on with peaceful production.

Eventually, almost all issues are brought to the board. Preliminary barriers, such as the requirement that an actual dispute or even a strike must exist before the Board will accept the case, are swept away. A dispute or a strike is "made" in order to bring the case before the Board.

In the last war, the War Labor Board had power such as has been newly granted to the Wage Stabilization Board. It made even more difficult efforts to settle disputes peaceably. The record of World War II is a continuous history of strikes and threatened strikes to force labor disputes before the War Labor Board. The unrest, friction and the uncertainties during the period while dispute cases were being processed by the Board undermined the will to produce and resulted in immeasurable losses in war production.

Although we are embarked on partial mobilization, we are by no means in the same situation as that of 1941, when, in a period of war, there existed patriotic restraints upon such direct economic action as strikes.

I would like to call your attention, in passing, to the fact that organized labor itself, as well as management, has been an outspoken exponent of collective bargaining in recent years.

I should also like to point out that at the present time there are no major labor disputes which involve issues other than wages. Any wage stabilization board can and should have authority to hear issues, provided that these shall be in the form of rulings of general application. It is in an area not directly concerned with wage

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Securities Salesman's Corner

By JOHN DUTTON

If you are interested in exploring the possibilities of obtaining some assistance in building up your sales force, training salesmen and doing some progressive advertising, it may pay you to send to Fund Services of Washington, Inc., 219 Woodward Bldg., Washington, D. C. I have been going through the first issue of their dealer service brochure entitled, "Modern Security Sales," and I believe that there is quite a bit of material that could be helpful to both the medium sized firm and the smaller ones throughout the country.

Each month dealers will be supplied with advertisements in mat form, ideas for sales letters, postal card mailings, booklets, and suggestions which should assist considerably in building up the sale of mutual funds. All the material has been OK'd by the NASD, and you can go ahead and use it without fear of future criticism.

I like the advertisements very much, one of which is reproduced here. Notice the excellent layout, illustration, and the "plain talk" copy. If you are in a smaller town you know how difficult it may be to obtain good art work and type styles, but here you can obtain these ads all set up for you in mat form. Personally, I like them and I have always believed that "human interest" financial advertising is the most productive form of publicity you can use.

There are some good ideas that are passed along to you, too. For example, the suggestion is made that you should put your fund advertising on another page rather than in the financial section. This too, I think has merit.

There are articles on the training of salesmen. There are suggestions regarding the ways other men in the life insurance business go about "finding a need and filling it." The entire kit is well done in my opinion. It is, I believe, the first all-over attempt to place a program of modern ideas for sales building in the hands of dealers who are not in a position to prepare their own sales promotional material. There may be some ideas which you cannot use but there should be some that could be most helpful and profitable.

Incidentally, the suggestion is also put forward that the public is becoming confused through the use of several different names for the Mutual Funds. They are called Investment Trusts, Stock Funds, Investment Funds, etc. In many of the papers throughout the country they are placed in a separate box and are quoted daily under various title heads. In one city the dealers got together and asked the financial editor of the local paper to list the funds under the title, Mutual Funds. This seems to me to be a good suggestion. If you are going to sell Mutual Funds why not call them by their right name, advertise them by their right name and have your papers quote them the same.

Austin, Hart & Parvin To Be Formed

SAN ANTONIO, Texas—Austin, Hart & Parvin will be formed with offices in the National Bank of Commerce Building, to act as underwriters, distributors and dealers in corporate and municipal securities and mutual fund shares. Partners are Edward H. Austin, W. Lewis Hart and William F. Parvin. Mr. Parvin was formerly Executive Manager of Roe & Company and prior thereto was with City National Bank. Mr. Austin and Mr. Hart were partners in Dewar, Robertson & Pancoast.

Joins First Cleveland

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Robert E. Bulkley has become associated with The First Cleveland Corp., National City East Sixth Building, members of the Midwest Stock Exchange.

Some try to Save . . .

Some try to Build . . .

If you have been content to save dollars, what has inflation done to the buying power of your savings?

It costs you nothing to learn how others have put their dollars to work.

FREE FOLDER provides the facts. Just mail the coupon today for full information without obligation.

Your Name

AND ADDRESS HERE

FIRM NAME
AND ADDRESS

Without obligation, please send me a FREE copy of your literature describing how others have put their money to work.

NAME ....

ADDRESS ....

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We Can Have Economic Strength Without Damaging Controls

stabilization, that organized labor has asked for, and received, government intervention that is both unnecessary as well as dangerous to collective bargaining.

The President was able to grant this only by negating the policy enunciated by Congress in Section 502 of the Defense Production Act.

Procedure Ignored

(2) The second provision of the present law which seems to have been disregarded was the procedure in Title V for taking whatever action might be made necessary by special circumstances growing out of the mobilization program.

The President was authorized to initiate voluntary conferences between management, labor and representatives of the government and the public and to take such action as may be agreed upon in any such conference. There has been no conference such as the Act contemplated and certainly no agreement. It was clearly indicated that whatever action was taken, it was to have the strongest kind of support possible, namely, the same kind of voluntary agreement which is the fibre of collective bargaining itself.

Instead, the President set up a board and a procedure which would inject the government into all kinds of labor issues.

Act Ignored

(3) A disputes settlement agency with power to intervene in all kinds of disputes may nullify the national emergency sections of the Labor-Management Relations Act.

Title V of the Defense Production Act says:

"No action inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, other Federal Labor Standards statutes, the Labor-Management Relations Act, 1947, or with other applicable laws shall be taken under this title."

No attempt has been made to integrate emergency sections of the 1947 Act into the special disputes settlement machinery created on April 21.

I would suggest that Congress note carefully the relations between those emergency sections and actions that have been taken in the past two months.

On the general question of how the Wage Stabilization Board might be reconstituted, the Chamber of Commerce and other management groups publicly proposed granting the Board adequate authority to handle only *actual* wage stabilization issues.

We suggested to the Board a method of operation which would make genuinely effective the purpose for which it was created—wage stabilization. We oppose the granting of authority to the Board to handle labor disputes which actually are outside that field.

Board Jurisdiction

The Wage Stabilization Board is the appropriate agency, of course, to hear interested parties on problems directly related to wage stabilization matters. We mean this to include only economic and monetary issues. Such problems can be expected to include one or more of the following categories:

(1) Requests for interpretations or ruling as to application of existing policies;

(2) Petitions for changes in existing policies or adoption of new policies;

(3) Petitions for permission to exceed existing ceilings or otherwise to be exempted from the operation of general rules and policies.

In any of these situations, the Board should provide procedures so that it may receive requests for rulings or interpretations and may give adequate consideration to them. The Board's authority should be final in the application of existing policies. However, it should have no authority to modify an existing policy in a particular case, but should, in any case where it concludes that a change is policy is required, refer such recommendations to the Economic Stabilization Administrator who thereupon should approve or reject them without modification.

The point to be observed here is that any change in policy should be general in application and not confined to the particular parties or to the case in which the request for a change was made. If the wage stabilization program is to be at all effective, the principles which are developed must be maintained rather than modified a little to meet the exigencies of each particular case. Such a gradual yielding of principles is worse than no policy at all.

Where a matter is jointly submitted by an employer and his employees or their representatives, both submitting parties should be required to agree, in advance, that they will be bound by the Board's final decision.

In view of this background, the Chamber recommends two steps, if you continue Title V.

First, Congress should prevent the Wage Stabilization Board from passing upon non-economic or non-monetary issues. Because the Administration has sought to achieve this result despite the legislation, which prevents direct action without the previous agreement of management and labor, this prohibition should be made entirely specific.

Second, we believe that legislation should be enacted so that the Wage Stabilization Board shall be directed to refuse to proceed with any request for a ruling or interpretation in any case where a strike is in progress. It must be recognized, also, that wage stabilization policies are meant to be restrictive and that requests for wage increases will be denied where these would circumvent those policies. Any strikes which follow such denials are strikes against the government's policies and are designed to coerce or to induce the Board to make concessions.

It is imperative to wage stabilization, and indeed, to mobilization, that such strikes should not be met with appeasement or concession, but should be handled in accordance with existing law, including where appropriate the national emergency provisions of of the Labor-Management Relations Act.

Domestic Economy

Another set of recommendations the Chamber makes to you relates to operations of the nation's distributors.

Should Congress continue price and wage controls, we believe that prices would be most effectively controlled by holding constant the percentage of mark-up margins between cost and resale price for various classes of goods sold by individual distributors.

Under this type of regulation, in instances where a price control authority permits increased prices at pre-wholesale or pre-retail stages in the flow of goods, the individual distributor will not be forced by government interference to absorb the increased costs.

There should be adequate consultation between public price control officials and private businessmen in preparation of specific control regulations. Prior to issuance of price control regulations, controlling government officials should consult freely with representatives of each industry affected as provided in Section 709 of the Defense Production Act.

Under the most favorable conditions, rationing can only be partially successful when restricted to commodities which have two characteristics:

(1) Highly essential to large proportion of all consumers.

(2) Very scarce as compared to normal supply.

There are few, if any, such commodities at present. Any proposal to use rationing to reduce overall purchasing power and inflation is extremely difficult of performance. During World War II, less than 20% of consumer expenditures were for items subject to any type of rationing.

The purpose of rationing to equitably distribute scarce commodities regardless of ability-to-pay conflicts directly with the purposes of other government policies. Credit control, for example, aims to restrict buying power by eliminating large numbers of prospective purchasers from the market strictly on the basis of inability to pay.

Rationing increased the consumption of covered commodities by many individuals, particularly those who ordinarily use very small quantities. This defeats the purpose of conserving resources and controlling inflation.

It is important that concentration of energies on expansion of military production in times of national emergency should not result in neglect to the civilian economy. Effective organization of the civilian economy is needed to forestall disruption of morale and to preserve the physical strength and spirit of our citizens.

The Chamber of Commerce of the United States endorses every practicable method of increasing civilian supplies as a means of combating current inflationary trends.

First Boston Group Underwrites Offering

Public Service Co. of Colorado is offering its common stockholders the right to subscribe for 249,116 additional shares of common stock at a price of $22.75 per share on the basis of one share for each ten shares held of record June 12, 1951. Transferable warrants expire at 3 p.m. (EDT) on June 28. A banking group headed by The First Boston Corp., Boettcher & Co. and Bosworth, Sullivan & Co., Inc. is underwriting the offering. An additional 24,911 shares of common stock are concurrently being offered to employees at the subscription price.

Proceeds of the common stock sale will help finance a construction program estimated to cost about $64,000,000 during the three years, 1951-1953. Chief items in this program are the completion of 120,000 kw capacity at the new Arapahoe plant in Denver, a 60,000 kw addition at the Lacombe plant in Denver, and a 7,500 kw addition at Grand Junction.

Public Service Co. of Colorado and its subsidiaries supply electricity and natural gas chiefly in and around Denver, a service area with an estimated population of 800,000. Of its total operating revenues for the year ended March 31, 1951, 55% were derived from electric sales and 44% from gas sales.

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The State of Trade and Industry

from $7.16 the week before. This drop of 1.1% was the sharpest weekly decline of the year and brought the index to the lowest since Jan. 23 when it stood at the same level. Compared with the 1951 high of $7.31 on Feb. 20, the latest figure shows a drop of 3.1%. It is still 2.2% above the 1951 low of $6.93 recorded on Jan. 2, and 18.0% higher than the $6.00 on the comparable date of last year.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Establishes New Low for Year

Commodities movements continued irregular last week with a late downward trend pushing the Dun & Bradstreet daily wholesale commodity price index through its January low to strike a new low for the year. The index finished at 317.58 on June 5, a drop of 2.80 points from 320.38 a week earlier, and comparing with 266.08 on the corresponding date a year ago.

Grain futures on the Chicago Board of Trade were very unsettled last week.

Prices fluctuated nervously, being particularly susceptible to war news and peace rumors.

Wheat showed some strength at times, aided by investment buying and substantial short covering. The recovery was short lived, however, as new peace rumors appeared late in the week and buyers took to the sidelines to await further developments. Export clearances of wheat and flour last week were equal to 11,500,000 bushels, bringing the total for the season to date to 284,200,000 bushels. It is expected that aggregate wheat exports for the season will reach well over 300,000,000 bushels, or considerably above earlier expectations. The cash corn market showed independent strength with prices holding in a fairly narrow range. With planting about finished and the crop off to a good start, prospects for the new corn crop are believed very favorable.

Trading in grain futures on the Chicago Board of Trade dropped sharply last week to a daily average of 26,600,000 bushels, from 45,700,000 the previous week, and 53,300,000 in the same week last year.

Business in both the domestic and export flour markets was very quiet with buying confined to scattered lots of hard wheat bakery varieties. There was very little interest shown in cocoa. Actual prices held steady aided by lack of pressure from primary markets where offerings were firmly held. Raw sugar was irregular and closed slightly higher for the week. The refined market was quiet as users continued to take delivery of sugar bought before the recent advance in prices. Lard developed an easier tone in sympathy with weakness in oils and other markets. Livestock markets were irregular. Hog values closed moderately higher for the week, while steers and lambs moved lower.

Spot cotton prices last week remained at or near ceiling levels, but futures moved irregularly during the period. Early easiness was attributed to profit-taking and favorable war news. Following some strength at mid-week, the market again weakened on reports of favorable rains in parts of the belt, continued slowness in spot markets, and lagging demand for cotton textiles. Mill buying was light and demand for export tapered off. Inquiries for new crop cotton were better, but only a small volume of forward sales were reported. In line with trade expectations, the mid-May parity price for cotton showed an advance of 12 points to a new record high of 33.85 cents. Activity in the cotton gray goods market continued limited in volume.

Trade Volume Little Changed from Previous Week

Despite the dramatic advent of a department store "price war" in certain key cities, there was no appreciable change in consumer spending in the period ended on Wednesday of last week. Total dollar volume of retail sales was slightly above that for the comparable week a year ago, states Dun & Bradstreet, Inc., in its current review of trade.

Shoppers for apparel bought slightly more last week than during the week before, in accordance with seasonal patterns. The aggregate dollar volume was somewhat above that for last year.

There was no appreciable change in the limited amount of requests for large appliances and television sets throughout much of the country.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from unchanged to 4% above a year ago. Regional estimates varied from the levels of a year ago by these estimates:

New England, Midwest, Southwest +3 to —1; East +2 to —2; South and Pacific Coast +4 to 0; Northwest +6 to +2.

Wholesale ordering rose very slightly during the week, partly by virtue of increased buyer interest in some lines of Fall merchandise. The total dollar value of wholesale volume was moderately above the level for the similar week in 1950. While the number of buyers attending various wholesale centers rose appreciably from the prior, holiday-shortened, week, it was slightly below that for a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 2, 1951, increased 5% from the like period of last year. This compared with an increase of 3% in the previous week, and an increase of 4% for the four weeks ended June 2, 1951. For the year to date department store sales registered an advance of 10%.

Stimulated by the price war among large department stores, retail trade in New York last week was placed by trade observers at 10 to 15% above the similar period in 1950.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of June 2, 1951, advanced 18% from the like period of last year. In the preceding week an increase of 4% was registered above the similar week of 1950. For the four weeks ended June 2, 1951, an increase of 6% was recorded above that of a year ago, and for the year to date, volume advanced 11% from the like period of last year.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 17	103.2	103.2	103.9	101.1
Equivalent to—					
Steel ingots and castings (net tons)	June 17	2,063,000	2,063,000	2,077,000	1,927,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	June 2	6,169,250	6,163,250	6,174,200	5,204,500
Crude runs to stills — daily average (bbls.)	June 2	¶6,601,000	6,430,000	6,283,000	5,688,000
Gasoline output (bbls.)	June 2	21,086,000	21,102,000	20,322,000	19,055,000
Kerosene output (bbls.)	June 2	2,317,000	2,534,000	2,773,000	2,221,000
Gas, oil, and distillate fuel oil output (bbls.)	June 2	8,294,000	8,580,000	8,453,000	7,187,000
Residual fuel oil output (bbls.)	June 2	8,929,000	9,045,000	8,959,000	7,517,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 2	130,249,000	130,819,000	135,764,000	121,087,000
Kerosene (bbls.) at	June 2	20,797,000	19,832,000	16,802,000	17,369,000
Gas, oil, and distillate fuel oil (bbls.) at	June 2	54,662,000	51,344,000	45,247,000	42,449,000
Residual fuel oil (bbls.) at	June 2	38,871,000	37,365,000	36,095,000	38,991,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 2	744,644	811,799	803,337	709,890
Revenue freight received from connections (number of cars)	June 2	657,050	681,913	701,382	614,390
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 7	$296,036,000	$373,745,000	$294,770,000	$226,729,000
Private construction	June 7	148,342,000	201,519,000	174,824,000	128,391,000
Public construction	June 7	147,694,000	172,226,000	119,946,000	98,338,000
State and municipal	June 7	106,398,000	83,508,000	90,851,000	71,760,000
Federal	June 7	41,296,000	88,718,000	29,095,000	26,578,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 2	8,620,000	9,757,000	9,710,000	9,326,000
Pennsylvania anthracite (tons)	June 2	734,000	657,000	749,000	695,000
Beehive coke (tons)	June 2	132,200	*131,400	137,400	156,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 2	274	290	326	261
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 9	6,733,662	6,444,741	6,566,813	5,920,827
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	June 7	172	132	181	164
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 5	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	June 5	$52.69	$52.69	$52.69	$46.3[illegible]
Scrap steel (per gross ton)	June 5	$43.00	$43.00	$43.00	$40.9[illegible]
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 6	24.200c	24.200c	24.200c	22.200c
Export refinery at	June 6	27.425c	27.250c	24.425c	22.425c
Straits tin (New York) at	June 6	136.000c	139.000c	142.000c	78.125c
Lead (New York) at	June 6	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	June 6	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	June 6	17.500c	17.500c	17.500c	14.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 12	97.35	97.35	97.34	102.42
Average corporate	June 12	110.70	111.07	111.44	115.63
Aaa	June 12	114.85	115.04	115.43	120.6[illegible]
Aa	June 12	113.89	114.27	114.46	119.20
A	June 12	100.79	110.15	110.70	115.24
Baa	June 12	104.66	105.34	105.86	108.1[illegible]
Railroad Group	June 12	107.44	107.80	108.16	110.5[illegible]
Public Utilities Group	June 12	110.70	111.07	111.44	116.80
Industrials Group	June 12	114.08	114.66	115.24	119.8[illegible]
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 12	2.68	2.67	2.68	2.32
Average corporate	June 12	3.13	3.11	3.09	2.87
Aaa	June 12	2.91	2.90	2.88	2.62
Aa	June 12	2.96	2.94	2.93	2.6[illegible]
A	June 12	3.18	3.16	3.13	2.8[illegible]
Baa	June 12	3.47	3.43	3.40	3.2[illegible]
Railroad Group	June 12	3.31	3.29	3.27	3.14
Public Utilities Group	June 12	3.13	3.11	3.09	2.8[illegible]
Industrials Group	June 12	2.95	2.92	2.89	2.6
MOODY'S COMMODITY INDEX	June 12	492.6	489.3	502.8	398.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 2	266,566	209,194	379,141	254,251
Production (tons)	June 2	243,835	244,937	252,896	193,56[illegible]
Percentage of activity	June 2	100	102	107	83
Unfilled orders (tons) at	June 2	658,722	638,760	771,457	395,48[illegible]
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 8	151.6	152.5	153.9	120.7
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	May 26	35,093	36,502	31,997	28,21[illegible]
Number of shares	May 26	1,026,075	1,076,763	960,080	871,861
Dollar value	May 26	$45,279,279	$43,960,115	$43,603,485	$37,572,054
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 26	27,274	28,568	29,541	32,450
Customers' short sales	May 26	353	315	222	153
Customers' other sales	May 26	26,921	28,253	29,319	32,30[illegible]
Number of shares—Total sales	May 26	793,875	814,654	820,862	891,602
Customers' short sales	May 26	13,445	11,750	7,839	5,738
Customers' other sales	May 26	780,430	802,904	813,023	885,864
Dollar value	May 26	$33,506,448	$35,102,075	$34,634,428	$35,608,478
Round-lot sales by dealers—					
Number of shares—Total sales	May 26	197,790	237,940	242,450	301,690
Short sales	May 26	------	------	------	------
Other sales	May 26	197,790	237,940	242,450	301,690
Round-lot purchases by dealers—					
Number of shares	May 26	455,370	451,050	392,270	260,980
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 5	161.9	*182.5	182.8	157.6
Farm products	June 5	197.5	199.8	198.1	168.8
Grains	June 5	181.3	184.0	188.3	171.1
Livestock	June 5	262.6	267.6	260.4	225.7
Foods	June 5	187.3	*188.4	188.8	163.0
Meats	June 5	275.4	275.4	277.8	243.9
All commodities other than farm and foods	June 5	170.8	170.9	171.4	148.5
Textile products	June 5	182.9	182.9	183.4	136.3
Fuel and lighting materials	June 5	138.5	138.5	138.4	132.5
Metals and metal products	June 5	189.3	189.4	189.6	171.7
Building materials	June 5	227.3	227.3	227.5	200.2
Lumber	June 5	358.9	358.9	358.9	‡
Chemicals and allied products	June 5	140.9	141.6	144.4	115.0

*Revised. ‡Not available. ¶Includes 495,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE, INC.—Month of May:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	80,430	*77,862	79,645
Shipments (tons of 2,000 lbs.)	73,093	*69,125	71,101
Stocks at end of period (tons)	17,411	*14,548	41,619
Unfilled orders at end of period (tons)	73,942	77,293	66,430
COAL OUTPUT (BUREAU OF MINES)—Month of May:			
Bituminous coal and lignite (net tons)	43,390,000	41,977,000	*45,798,000
Pennsylvania anthracite (net tons)	3,542,000	*2,602,000	4,258,000
Beehive coke (net tons)	600,000	*574,900	528,700
COKE (BUREAU OF MINES)—Month of April:			
Production (net tons)	6,485,660	*6,692,460	6,156,294
Oven coke (net tons)	5,910,775	6,041,790	5,662,620
Beehive coke (net tons)	574,885	*650,670	493,674
Oven coke stocks at end of month (net tons)	1,410,223	1,265,889	700,164
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-1939 = 100—Adjusted as of April 15:			
All items	184.6	184.5	168.5
All foods	225.7	226.2	197.3
Cereals and bakery products	188.3	187.5	169.3
Meats	272.5	271.9	224.6
Dairy products	204.1	204.6	179.6
Eggs	191.2	195.2	149.8
Fruits and vegetables	214.8	217.1	198.9
Beverages	343.7	342.6	305.5
Fats and oils	178.3	177.3	135.6
Sugar and sweets	185.9	186.0	175.1
Clothing	203.6	203.1	184.9
Rent	135.1	134.7	130.1
Fuel, electricity and refrigerators	144.0	144.2	140.3
Gas and electricity	96.9	97.2	97.0
Other fuels	205.0	205.0	192.9
Ice	154.4	154.4	146.8
House furnishings	211.8	210.7	185.4
Miscellaneous	164.6	164.3	154.7
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM — (1935-39 Average=100)			
Month of May:			
Adjusted for seasonal variation	303	*302	290
Without seasonal adjustment	299	*284	286
EDISON ELECTRICT INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of March (000's omitted)	26,000,593	25,966,117	22,564,518
Revenue from ultimate customers—month of March	$460,900,400	$467,200,400	$414,263,200
Number of ultimate customers at March 31	45,327,711	45,213,823	43,289,138
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of March:			
All manufacturing (production workers)	13,197,000	*13,180,000	11,549,000
Durable goods	7,433,000	*7,366,000	6,070,000
Nondurable goods	5,764,000	*5,814,000	5,479,000
Employment indexes—			
All manufacturing	161.1	160.9	141.0
Payroll Indexes—			
All manufacturing	433.6	*429.5	333.5
Estimated number of employees in manufacturing industries—			
All manufacturing	16,022,000	*15,971,000	14,103,000
Durable goods	8,968,000	*8,870,000	7,418,000
Nondurable goods	7,054,000	*7,101,000	6,685,000
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of May:			
Deliveries (number of cars)	9,774	8,274	2,193
Backlog of orders at end of month (number of cars)	150,628	155,871	39,586
GAS APPLIANCES MANUFACTURERS ASSOCIATION—Month of April:			
Domestic gas range shipments (units)	249,600	303,000	239,100
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of May:			
Copper (per pound)—			
Electrolytic domestic refinery	24.200c	24.200c	19.609c
Electrolytic export refinery	25.471c	24.425c	19.876c
Lead (per pound)—			
Common, New York	17.000c	17.000c	11.721c
Common, St. Louis	16.800c	16.800c	11.521c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.160c	90 160c	72.614c
Silver, London (pence per ounce)	78.500d	78.500d	63.409d
Sterling Exchange (Check)	$2.80000	$2.80000	$2.79750
Zinc (per pound)—East St. Louis	17.500c	17.500c	11.973c
Tin (per pound)—			
New York Straits	139.923c	145.735c	77.495c
§§New York, 99% min.	138.923c	144.735c	76.495c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$212.923	$215.600	$70.346
¶Antimony (per pound) (E. & M. J.)	45.300c	45.298c	27.780c
Antimony (per pound) bulk, Laredo	42.000c	42.000c	24.500c
Antimony (per pound) in cases, Laredo	42.500c	42.500c	25.000c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$90.000	$90.000	$66.000
†Cadmium (per pound)	$2.55000	$2.55000	$2.00000
‡Cadmium (per pound)	$2.67500	$2.67500	$2.07500
§Cadmium (per pound)	$2.80000	$2.80000	$2.15000
Cobalt, 97%	$2.10000	$2.10000	$1.80000
Aluminum, 99% plus, ingot (per pound)	19.000c	19.000c	17.192c
Magnesium, ingot (per pound)	24.500c	24.500c	20.500c
**Nickel	50.500c	50.500c	40.000c
PORTLAND CEMENT (BUREAU OF MINES)—Month of April:			
Production (barrels)	20,184,000	18,708,000	18,134,000
Shipment from mills (barrels)	20,953,000	17,692,000	18,424,000
Stocks (at end of month—barrels)	22,370,000	23,143,000	22,936,000
Capacity used	91%	84%	85%
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.) — Month of April:			
Total operating revenues	$851,444,701	$875,475,035	$713,820,097
Total operating expenses	668,850,295	679,662,378	562,625,236
Operating ratio	78.55%	77.63%	78.82%
Taxes	$92,801,386	$101,438,761	$74,201,634
Net railway operating income before charges	70,594,568	78,262,802	62,160,877
Net income after charges (est.)	45,000,000	51,000,000	40,000,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on plater's quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● Air Facilities, Inc., Phoenix, Ariz.
June 4 (letter of notification) 193,800 shares of 6% preferred stock (par $1) and 193,800 shares of common stock (par 25 cents) to be offered in units of one share of preferred and one share of common stock. **Price**—$1.50 per unit. **Underwriter** — None. **Proceeds** — To purchase equipment and material. **Office**—1018 Title & Trust Building, Phoenix, Ariz.

Alaska Ferry & Terminal Co., Inc.
May 24 (letter of notification) 1,500 shares of 6% cumulative preferred stock (par $100) and 1,500 shares of common stock (par $100). **Price**—At par. **Underwriter**—None. **Proceeds** — For initial payment on vessels and other corporate purposes. **Address** — P. O. Box 1178, Juneau, Alaska.

Alhambra Gold Mines Corp., Hollywood, Calif.
Nov. 1 filed 80,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For further development of mine and for working capital. Statement effective May 29 through lapse of time. Amendment necessary.

American Bosch Corp., Springfield, Mass.
May 17 filed 98,000 shares of common stock (par $2). **Price**—At the market (approximately $15 per share). **Underwriter**—None. **Proceeds**—To Allen & Co. (owner of 198,000 shares, or 15.1% of outstanding shares).

★ American Natural Gas Co. (6/15)
May 24 filed 368,428 shares of common stock (no par), of which company will offer 334,935 shares to common stockholders of record June 12, 1951, at rate of one new share for each ten shares held, with an oversubscription privilege; warrants to be mailed on June 15; and rights to expire on June 29. **Price**—$27.50 per share. **Underwriter**—None. **Proceeds**—To assist system subsidiaries in financing their property expansion programs.

Appalachian Electric Power Co. (6/26)
May 23 filed $17,000,000 of first mortgage bonds, due June 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for new construction. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 26 at 30 Church St., New York 8, N. Y.

● Arden Farms Co., Los Angeles, Calif.
June 11 filed 55,000 shares of $3 cumulative and participating preferred stock (no par) to be offered to preferred stockholders at the rate of one share for each 4½ shares held; unsubscribed shares to be offered publicly. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—To repay bank loans.

Armstrong Rubber Co., West Haven, Conn.
May 21 (letter of notification) 1,000 shares of 4¾% cumulative convertible preferred stock (par $50) and 1,000 shares of class A common stock (no par). **Price** — The preferred at par and the common at $25 per share. **Underwriter**—Gruntal & Co., New York. **Proceeds**—To Frederick Machlin, Vice-President of the company.

Ashland Oil & Refining Co., Ashland, Ky.
May 21 (letter of notification) 1,000 shares of common stock (par $1). **Price**—At the market (approximately $35 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—1409 Winchester Ave., Ashland, Ky.

● Bank of Nova Scotia, Toronto, Canada (7/2)
June 12 filed 300,000 shares of capital stock (par $10) to be offered to stockholders of record June 30, 1951, with unsubscribed shares to be publicly offered after Oct. 5. **Price**—$30 per share. **Underwriter**—None. **Proceeds**—To be added to general funds.

Bigelow-Sanford Carpet Co., Inc. (6/21)
May 16 filed 100,000 shares of cumulative preferred stock, series of 1951 (par $100), of which 39,604½ shares are issuable to holders of 26,403 shares of 6% preferred stock on the basis of 1½ shares for each preferred share held. The dividend rate will be not less than 4½% nor more than 5%. **Price**—To be supplied by amendment. **Underwriters**—Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., and F. S. Moseley & Co. **Proceeds**—For general corporate purposes. Stockholders will vote June 19 on approving issue.

● Brown Shoe Co., Inc., St. Louis, Mo. (6/27)
June 7 filed $11,000,000 of sinking fund debentures, due July 1, 1971. **Price**—To be supplied by amendment. **Underwriters**—Goldman, Sachs & Co. and Smith, Barney & Co., of New York. **Proceeds**—To retire 34,330 outstanding shares of $3.60 preferred stock (requiring about $3,600,000) and the balance for general corporate purposes.

ITEMS REVISED EACH WEEK

The data in this compilation is brought up-to-date each week in accordance with later information made available by the SEC or other reliable sources. Where changes have been made during the past week, this is indicated by the symbol (★) appearing at the beginning of the respective listings. As heretofore, the symbol (●) preceding the name of the prospective borrower indicates that it is an entirely new listing.

● Brown Shoe Co., Inc., St. Louis, Mo.
June 7 filed 224,187 shares of common stock (par $15), of which 124,187 are to be offered in exchange for Wohl Shoe Co. capital stock on a 2½-for-1 basis. The remaining 100,000 shares represent shares which may be or have been purchased under the company's stock option plan for key employees, including certain officers and directors. **Proceeds**—For general corporate purposes.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preference stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

★ Byron Jackson Co., Vernon, Calif.
May 18 filed 100,000 shares of capital stock (par $10). **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc. and Elworthy & Co. (of Los angeles and San Francisco). **Proceeds**—To construct and equip a plant in the Province of Ontario, Canada. **Withdrawal**—Registration statement withdrawn June 5, because of unsettled market conditions.

★ Calaveras Cement Co.
May 23 filed 118,066 shares of common stock (par $5) to be offered to common stockholders on basis of one new share for each two shares held on June 12; rights expire July 5. **Price**—$10 per share. **Underwriter**—Blyth & Co., Inc., and Hooker & Fay, both of San Francisco, Calif. **Proceeds**—To pay part of cost of plant expansion program.

Canam Copper Co., Ltd., Vancouver, B. C., Canada
April 20 filed 200,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Harry M. Forst. **Proceeds**—For exploration and development work.

★ Carrier Corp.
May 24 filed 216,575 shares of common stock (par $10) being offered common stockholders of record June 12, 1951, at rate of one new share for each three shares held; rights to expire on June 26. **Price**—$19.50 per share. **Underwriter**—Harriman Ripley & Co., Inc., and Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—To help finance the construction and equipment of a new building and for other general corporate purposes.

Central Louisiana Electric Co., Inc.
Jan. 25 filed 250,297 shares of common stock (par $10) and 21,480 shares of 4.5% preferred stock (par $100), of which the preferred stock and 214,800 shares are being offered in exchange for shares of common stock of Gulf Public Service Co., Inc., on basis of 4/10ths of a share of common and 1/25th of a share of preferred for each Gulf common share held as of record March 13. This offer will expire on June 15 and will not be extended. Of the remaining 35,497 common shares, 20,348 shares were offered to Central Louisiana common stockholders of record May 1, 1951 at $26.50 per share on basis of one share for each 17 shares held, with rights expiring on June 4. **Underwriter** — None. **Purpose**—To acquire not less than 429,600 shares (80%) of Gulf common stock. Statement effective March 12.

★ Chevron Petroleums, Ltd., Toronto, Canada
March 14 filed 900,000 shares of common stock (par $1) to be offered "as a speculation." **Price** — 50 cents per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Proceeds**—To take up option and develop properties. **Offering**—Indefinitely postponed.

C.I.T. Financial Corp., New York
June 4 filed 150,000 shares of common stock (no par) to be reserved for issuance upon exercise of options under the "restricted stock option plan for key employees of the corporation and its subsidiaries." **Price**—Not to be less than 95% of the fair market value of the stock. **Underwriter**—None. **Proceeds** — For general corporate purposes.

Cleveland Electric Illuminating Co. (6/26)
May 23 filed $25,000,000 of first mortgage bonds due June 1, 1986. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Equitable Securities Corp. **Proceeds**—For new construction. **Bids**—To be received by company at 75 Public Square, Cleveland 1, Ohio, up to noon (EDT) on June 26.

★ Commercial Credit Co. (6/20)
May 29 filed $40,000,000 notes due 1961. **Price**—To be supplied by amendment. **Underwriters**—Kidder, Peabody & Co. and The First Boston Corp., New York. **Proceeds**—To increase and maintain working capital and a portion of the proceeds ultimately will be used for the payment of a $35,000,000 1⅝% note which matures Aug. 1, 1951.

● Congress Building Corp., Chicago, Ill.
June 8 filed voting trust certificates representing 4,234 shares of common stock (no par). **Voting Trustees**—Herbert E. Hillebrecht, James H. Ferry, Jr., and Benjamin Wham.

★ Consolidated Cigar Corp., New York
March 9 filed 50,000 shares of cumulative preferred stock, series of 1951 (no par). **Price**—To be supplied by amendment. **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds** — To prepay short-term bank loans and for working capital. **Withdrawal**—A request to withdraw the registration statement was filed with the SEC on June 1.

Consolidated Textile Co., Inc., New York
Dec. 27 filed 220,000 shares of capital stock (par 10 cents), offered in exchange for 200,000 shares of common stock of Bates Manufacturing Co. (Consolidated now owns 51,400 shares, or approximately 13% of the 391,500 outstanding Bates shares) on basis of 11 shares of Consolidated for 10 shares of Bates stock. **Exchange offer** to expire June 29. Statement effective March 2.

Continental Can Co., Inc.
May 24 filed 230,000 shares of common stock (par $20) to be purchased in open market and offered pursuant to employees stock purchase plans, viz: 50,000 shares to employees of company and wholly-owned subsidiaries through elections to purchase at 90% of the last price on the New York Stock Exchange; and 180,000 shares to executive employees of the company and wholly-owned subsidiaries through options at 95% of the last price on the Exchange.

Continental Car-Nar-Var Corp., Brazil, Ind.
March 5 (letter of notification) 150,000 shares of common (voting) stock (par $1). **Price**—$2 per share. **Underwriters**—Sills, Fairman & Harris, Inc., Chicago, and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital and general corporate purposes. Temporarily deferred.

★ Cornucopia Gold Mines (7/10-21)
May 14 (letter of notification) 229,800 shares of common stock (par five cents) to be offered for subscription by stockholders of record June 30, 1951, on a one-for-five basis, with an oversubscription privilege; rights to expire one Oct. 1. **Price**—To be determined by directors, but not exceeding $1 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—824 Old National Bank Bldg., Spokane, Wash.

● Cowles Chemical Co., Cleveland, O.
June 6 (letter of notification) 15,000 shares of common stock (no par). **Price**—$16.50 per share. **Underwriter**—Gunn, Carey & Co., Cleveland, O. **Proceeds**—To reduce debt and for working capital. **Office**—7016 Euclid Avenue, Cleveland, O.

Cuban-Venezuelan Oil Voting Trust
March 29 filed 1,500,000 units of voting trust certificates representing one share of one and two cent par common stock in 24 companies. Each share of the 24 companies represents 1/24th of a unit of voting trust certificates of the Trust, which unit contains one share of common stock in each of the 24 Cuban companies. **Price** — $2 per unit. **Underwriter** — None, but Jay H. Schafrann, 20 Pine St., New York 5, N. Y., will act as servicing agent. **Proceeds**—For drilling and exploration expenses and working capital.
June 1, the 24 Cuban companies filed 1,500,000 shares each of their respective common stocks to be issued to the Cuban-Venezuelan Oil Voting Trust.

Cudahy Packing Co.
March 23 filed $10,000,000 sinking fund debentures due April 1, 1966. **Price** — To be supplied by amendment. **Underwriter**—Halsey, Stuart & Co. Inc. **Proceeds**—To reduce bank loans by $9,000,000, and the balance added to working capital. **Offering**—Indefinitely deferred.

Culver Corp., Chicago, Ill.
Oct. 23 filed 127,364 shares of common stock (par $5). **Price**—To be equivalent to approximately 95% of the net asset value of all shares of stock outstanding immediately prior to the public offering plus a commission of 50 cents per share to security dealers. **Underwriters**—Dealers may be underwriters. **Proceeds** — For investments in railroad and kindred securities. **Offering**—Exact date not yet determined.

● Drayson-Hanson, Inc., Los Angeles, Calif.
June 4 (letter of notification) 50,000 shares of common stock (par 40 cents). **Price**—$1.20 per share. **Underwriter**—Edgerton, Wykoff & Co., Los Angeles, Calif. **Proceeds**—To purchase real property and plant.

● Economy Forms Corp., Des Moines, Ia.
June 6 (letter of notification) 3,000 shares of preferred stock, to be offered to employees who are stockholders at time of purchase. **Price**—$23.75 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—4301 N. E. 14th Street, Des Moines, Pa.

Ekco Products Co., Chicago, Ill.
May 9 filed 35,000 shares of common stock (par $2.50) to be issued only upon exercise up to and including Oct. 22, 1955, of options to purchase such shares granted on Oct. 23, 1950, to certain employees (including certain officers and directors) of the company. **Price**—$13.78 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. Statement effective May 29.

Erie Resistor Corp., Erie, Pa.
May 21 filed 84,000 shares of common stock (par $5), of which 19,593 shares are for the account of the company and 64,407 for selling stockholders. **Price**—To be supplied

by amendment. **Underwriter**—Fulton, Reid & Co., Cleveland, O. **Proceeds**—For working capital. **Offering**—Expected today.

Falls Creek Mining Co., Seattle, Wash.
May 24 (letter of notification) 400,000 shares of common stock. **Price**—25 cents per share. **Underwriter**—Noble, Tulk & Co., Los Angeles, Calif. **Proceeds** — To Philip Seymour Heath, the selling stockholder. **Office**—418 Second & Cherry Bldg., Seattle 4, Wash.

Farmers Mutual Telephone Co., Madison, Minn.
May 9 (letter of notification) 2,600 shares of common stock and 1,200 shares of preferred stock. **Price**—$35 per share for common and $50 for preferred. **Underwriter**—None. **Proceeds** — To rebuild rural telephone system. **Office**—Cerro Gordo, Madison, Minn.

• Fine Products Corp., Augusta, Ga.
June 4 (letter of notification) 15,000 shares of common stock (par $2). **Price**—$17 per share. **Underwriter**—None. **Proceeds**—To redeem 15,000 shares of preferred stock on July 15. **Office**—827 Telfair Street, Augusta, Georgia.

• First Investors Corp.
June 6 filed (1) period payment plans with insured DM plan at $1,200 minimum or larger amounts aggregating $180,000; (2) periodic payment plans without insured plans at $1,200 minimum or larger amounts aggregating $600,000; and (3) single payment plans (DM plans at $500 minimum or larger amounts in multiples of $100) aggregating $420,000. **Underwriter**—First Investors Corp., New York. **Proceeds** — For investment in shares of Mutual Investment Fund, Inc.

Gas Service Co., Kansas City, Mo. (6/19)
May 24 filed $5,400,000 of first mortgage bonds due 1971. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Union Securities Corp. and Harriman Ripley & Co., Inc. (jointly). **Proceeds**—To repay bank loans and for new construction. **Bids**—To be received up to 11 a.m. (EDT) on June 19 at Room 1600, 70 Pine St., New York.

• General Foods Corp. (6/28)
June 7 filed $35,000,000 of 25-year sinking fund debentures, due July 1, 1976. **Price**—To be supplied by amendment. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers of New York. **Proceeds**—To finance increased inventories and accounts receivable.

• General Investment Corp., Salt Lake City, Utah
June 4 (letter of notification) 100,000 shares of capital stock. **Price**—10 cents per share. **Underwriter**—None. **Proceeds**—To purchase oil, gas and mineral royalties. **Office**—19 West South Temple Street, Salt Lake City, Utah.

★ General Public Utilities Corp. (6/18)
May 16 filed 504,657 shares of common stock (par $5) to be offered to stockholders at rate of one share for each 15 shares held as of June 14; with rights to expire on July 9. **Price** — $16.50 per share. **Underwriter** — None. **Proceeds**—To repay bank loans and for general corporate purposes.

General Securities, Inc., Minneapolis, Minn.
June 4 filed 50,000 shares of capital stock (no par). **Price**—At market. **Underwriter**—Craig-Hallum, Inc., Minneapolis, Minn. **Proceeds**—For investment.

★ Glenmore Distilleries Co.
Dec. 28 filed 159,142 shares of class B common stock par $1). **Price**—To be filed by amendment. **Underwriter** — Glore, Forgan & Co., New York. **Proceeds** — For working capital and general corporate purposes. **Offering**—Expected to be withdrawn and new filing made covering $3,000,000 of convertible preferred stock (par $50).

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

• Goldenberg Co., Washington, D. C.
June 5 (letter of notification) 19,800 shares of 6% cumulative convertible preferred stock (par $10) and 30,000 shares of class A common stock (par $1). **Price**—Par for preferred and $3.37½ per share for common. **Underwriter**—Ferris & Co., Washington, D. C. **Proceeds**—To redeem certain shares of stock and for working capital. **Office**—7th and K Streets, N. W., Washington, D. C.

Green Mountain Power Corp. (6/19)
May 29 filed 104,094 shares of common stock (par $10) to be offered to preferred stockholders of record June 15, 1951 on basis of three shares for each four shares of common to which the preferred stockholders will become entitled pursuant to amended plan of recapitalization (with an oversubscription privilege). Expected to be offered June 19, with rights to expire on July 3. **Price**—To be supplied by amendment. **Underwriters**—To be named later. **Proceeds**—For construction expenditures.

Green River Steel Corp., Owensboro, Ky.
June 5 filed $4,000,000 of 3½% debentures due 1961 and 320,000 shares of common stock (par 25 cents) to be offered in units of $1,000 of debentures and 80 shares of stock. **Price**—To be supplied by amendment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Proceeds**—To be applied to cost of acquisition, construction and installation of facilities and for other corporate purposes. **Business** — Organized to construct and operate electric furnace steel plant and rolling mill.

• Hahn Aviation Products, Inc.
June 7 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—

NEW ISSUE CALENDAR

June 14, 1951
Texas & Pacific Ry. Noon (EDT) — Equip. Trust Ctfs.

June 15, 1951
American Natural Gas Co. — Common

June 18, 1951
General Public Utilities Corp. — Common
Missouri Power & Light Co., 11 a.m. (EDT) — Bonds
North Penn Gas Co., 11 a.m. (EDT) — Debentures
Sutherland Paper Co. — Preferred
Texas Electric Service Co. 11:30 a.m. (EDT) — Bonds

June 19, 1951
Gas Service Co., 11 a.m. (EDT) — Bonds
Green Mountain Power Corp. — Common
Mays (J. W.), Inc. — Common
Mission Corp. — Debentures
National Tea Co. — Preference
Peoples Gas Light & Coke Co. 10:30 a.m. (CDT) — Bonds

June 20, 1951
Commercial Credit Co. — Notes
Kropp Forge Co. — Common
MidSouth Gas Co. — Common
Victoreen Instrument Co. — Common

June 21, 1951
Bigelow-Sanford Carpet Co., Inc. — Preferred

June 24, 1951
Property Income Corp. — Preferred
Public Finance Service, Inc. — Debentures

June 25, 1951
Southern Pacific Co., Noon (EDT) — Equip. Tr. Ctfs.

June 26, 1951
Appalachian Electric Power Co. 11 a.m. (EDT) — Bonds
Cleveland Electric Illuminating Co. Noon (EDT) — Bonds
Montana-Dakota Utilities Co. — Bonds
Pfizer (Chas.) & Co., Inc. — Preferred

June 27, 1951
Brown Shoe Co., Inc. — Debentures
Chesapeake & Ohio Ry. Co. — Equip. Trust Ctfs.
Southern New England Telephone Co. — Common
United Utilities, Inc. — Common

June 28, 1951
General Foods Corp. — Debentures
Minneapolis-Honeywell Regulator Co. — Preference

June 29, 1951
United Gas Corp. — Common

July 2, 1951
Bank of Nova Scotia (Canada) — Common

July 10, 1951
Cornucopia Gold Mines — Common
Minnesota Power & Light Co. — Bonds

July 16, 1951
Iowa Public Service Co. — Bonds

July 23, 1951
Mississippi Power Co. — Bonds

July 24, 1951
United Gas Corp., 11:30 a.m. (EDT) — Bonds

September 11, 1951
Alabama Power Co. — Bonds

None. **Proceeds**—For engineering, acquisition of machinery and other corporate purposes. **Office** — 2636 North Hutchinson Street, Philadelphia 33, Pa.

Hilton Hotels Corp., Chicago, Ill.
March 30 filed 153,252 shares of common stock (par $5) now offered to holders of common stock of Hotel Waldorf-Astoria Corp. in exchange for their holdings of such stock on a share-for-share basis; offer expires on June 27. **Dealer-Manager**—Carl M. Loeb, Rhoades & Co., New York.

• Induco Corp., Los Angeles, Calif.
June 6 (letter of notification) 4,900 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—12134 South Maine Street, Los Angeles 61, Calif.

• Insurance Co. of America, Jacksonville, Fla.
June 6 (letter of notification) 4,000 shares of class A common stock (par $10), 4,000 shares of class B common stock (par $10), and 500 shares of 6% cumulative preferred stock (par $100). **Price**—$35, $10 and $100 per share, respectively. **Underwriter**—None. **Proceeds**—For capital and surplus for operation of company. **Office**—Exchange Bldg., Jacksonville, Fla.

Intra State Telephone Co., Galesburg, Ill.
May 24 (letter of notification) 2,800 shares of common stock to be offered for subscription by stockholders of record May 21. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For operating expenses. **Office**—100 No. Cherry Street, Galesburg, Ill.

• Iowa Public Service Co. (7/16)
June 8 filed $5,000,000 of first mortgage bonds, due July 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Otis & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co., A. G. Becker & Co. Inc. and Wm. Blair & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and L. F. Rothschild & Co. (jointly). **Proceeds**—To repay bank loans and for new construction. **Bids**—Expected to be received on July 16.

Jersey Central Power & Light Co.
Feb. 21 filed $1,500,000 first mortgage bonds due in 1981. **Proceeds**—For expansion program. **Bids**—Only one bid was received by company on March 27, from Halsey, Stuart & Co. Inc., which was returned unopened. **Offering**—Postponed indefinitely. Statement effective March 14.

Jersey Central Power & Light Co.
Feb. 21 filed 40,000 shares of cumulative preferred stock (par $100). **Proceeds**—From sale of preferred, together with proceeds to be received from the sale of 350,000 additional common shares to General Public Utilities Corp., the parent, will be used for new construction. **Bids**—Only one bid, from Union Securities Corp. and Salomon Bros. & Hutzler (jointly), was received March 27, which was returned unopened. Statement effective March 14. **Amendment**—On May 8 SEC granted an exemption from competitive bidding. Preferred may be privately placed, but reported, temporarily abandoned.

Kentucky-Utah Mining Co.
May 17 (letter of notification) 596,061 shares of assessable capital stock (par 10 cents), of which 96,091 shares are reserved for issuance upon exercise of options granted May 8, 1951, to two individuals. **Price**—11½ cents per share. **Underwriter**—W. D. Nebecker & Co., Salt Lake City, Utah. **Proceeds** — To explore and develop mine properties. **Office**—310 Pacific Nat'l Life Bldg., Salt Lake City, Utah.

★ Kentucky Utilities Co.
May 14 filed 260,071 shares of common stock (par $10) being offered to common stockholders of record May 23, 1951 at rate of one share for each seven shares held; rights to expire on June 18. **Price**—$14.50 per share. **Underwriters**—Blyth & Co., Inc., New York, and J. J. B. Hilliard & Son, Louisville, Ky. **Proceeds**—For property additions and new construction. Statement effective June 1.

★ Kropp Forge Co., Cicero, Ill. (6/20)
May 25 filed 123,000 shares of common stock (par 33⅓¢), of which 9,276 shares will be offered for the account of Raymond B. Kropp (Executive Vice-President and Treasurer) and 113,724 shares first to stockholders of record June 15, 1951 at rate of one share for each seven common shares held. **Price**—$4 per share. **Underwriters**—Gearhart, Kinnard & Otis, Inc., and L. D. Sherman & Co., both of New York; and Morgan & Co., Los Angeles, Calif. **Proceeds**—To be added to working capital.

Link-Belt Co., Chicago, Ill.
May 31 filed 20,826 shares of common stock (par $5) to be offered to "a selected group of officers and employees of the company and its subsidiaries. **Price**—$33 per share (subject to change). **Underwriter** — None. **Proceeds**—For working capital.

Loyalta Oils, Ltd., Edmonton, Canada
April 16 filed 750,000 shares of capital stock (par $1). **Price**—50 cents per share. **Underwriter**—James T. Chiles of Denver, Colo., who will conduct offering to public by means of a mail campaign directed from Edmonton, Canada. **Proceeds**—To carry on drilling program. **Withdrawal**—Registration statement withdrawn May 24.

★ Manning, Maxwell & Moore, Inc.
May 16 filed 150,000 shares of common stock (par $12.50) being offered to stockholders of record who have not waived their preemptive rights at rate of 15/44ths of a share held, as of record June 5, 1951; rights to expire on June 15. **Price**—$15.50 per share. **Underwriters**—Hornblower & Weeks and Clark, Dodge & Co., New York. **Proceeds**—To redeem $281,000 of preferred stock and for working capital. Statement effective June 5.

Mayfair Markets, Los Angeles, Calif.
May 24 (letter of notification) 5,000 shares of preferred stock (par $50) and 5,000 shares of common stock (no par) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Underwriter** — None. **Proceeds** — For working capital. **Office**—4383 Bandini Boulevard, Los Angeles 23, Calif.

★ Mays (J. W.), Inc., Brooklyn, N. Y. (6/19)
April 27 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Carl M. Loeb, Rhoades & Co. and Lehman Brothers, New York. **Proceeds**—To Joe Weinstein, President of the company, the selling stockholder.

McGraw (F. H.) & Co., Hartford, Conn.
May 17 (letter of notification) 4,650 shares of common stock (par $2). **Price**—$9 per share. **Underwriter**—Granbery, Marache & Co., New York. **Proceeds**—For working capital.

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Mercantile Acceptance Corp. of California
May 18 (letter of notification) 4,881 shares of first preferred stock. **Price**—At par ($20 per share). **Underwriter**—Guardian Securities Corp. **Proceeds**—For general corporate purposes.

MidSouth Gas Co., Little Rock, Ark. (6/20)
May 29 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriters**—Equitable Securities Corp., Nashville, Tenn., and T. J Raney & Sons and Womeldorff & Lindsey, Little Rock, Ark. **Proceeds**—To repay bank loans and for property additions.

● Minneapolis-Honeywell Regulator Co. (6/28)
June 7 filed 160,000 shares of cumulative convertible preference stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Union Securities Corp., New York. **Proceeds**—For working capital and to expand manufacturing facilities.

● Minnesota Power & Light Co. (7/10)
June 7 filed $10,000,000 of first mortgage bonds, due July 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co. and Equitable Securities Corp. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly); Otis & Co.; White, Weld & Co.; Lehman Brothers and Drexel & Co. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Coffin & Burr, Inc. **Proceeds**—For expansion program. **Bids** — Expected to be received July 10.

Mission Appliance Corp., Hawthorne, Calif.
June 5 filed $1,250,000 of convertible sinking fund debentures, 6% series, due July 1, 1963. **Price**—At par. **Underwriters**—Paul H. Davis & Co., Chicago, Ill., and Lester & Co., Los Angeles, Calif. **Proceeds**—To retire bank loans and for working capital.

Mission Corp. (6/19)
May 24 filed $12,000,000 of 15-year sinking fund debentures due June 1, 1966. **Price**—To be supplied by amendment. **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds**—To repay bank loans incurred through purchase, in open market, of Tide Water Associated Oil Co. stock.

★ Missouri Power & Light Co. (6/18)
May 17 filed $4,000,000 of first mortgage bonds due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. Inc.; Equitable Securities Corp. and Harris, Hall & Co. (Inc.) (jointly); Otis & Co., Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Carl M. Loeb, Rhoades & Co. and American Securities Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Proceeds**—To reimburse treasury for expenditures made for construction program and for general corporate purposes. **Bids**—To be received up to 11 a.m. (EDT) on June 18 at company's office, 60 Broadway (Room 1901), New York 4, N. Y.

★ Montana-Dakota Utilities Co. (6/26)
June 1 filed $3,000,000 of first mortgage serial bonds due June 1, 1952 to 1971, inclusive. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc., Merrill Lynch, Pierce, Finner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Dick & Merle-Smith (jointly). **Proceeds**—To finance acquisition of property at Billings, Mont.

● Myers Motor Supply Co., Joplin, Mo.
June 4 (letter of notification) 150 shares of common stock. **Price**—At par ($100 per share) to be offered directly to stockholders. **Underwriter**—None. **Proceeds**—For working capital. **Office**—501 Wall Street, Joplin, Mo.

● National Bangor Slate Co., Wind Gap, Pa.
June 8 (letter of notification) 40,000 shares of common stock (par 50 cents) and 40,000 shares of 8% non-cumulative preferred stock (par $1) to be offered in units of one share of each class of stock. **Price**—$4.50 per unit. **Underwriters**—None; directors will direct sales. **Proceeds**—For payment of debt and purchase of machinery. **Office**—Male Street, Wind Gap, Pa.

● National Securities & Research Corp.
June 11 filed 4,000,000 shares of National Securities Series stock. **Price**—At the market. **Underwriter**—National Securities & Research Corp., New York. **Proceeds**—For investment.

★ National Tea Co., Chicago, Ill. (6/19)
May 29 filed 120,000 shares of cumulative preference stock, convertible series (par $100). **Price**—To be supplied by amendment. **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York and Chicago. **Proceeds**—To retire bank loans and outstanding $50 par value preferred stock.

● New England Cooperatives, Inc.
June 6 (letter of notification) 220 shares of class B common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To decentralize Eastern Cooperatives, Inc. **Office**—167 Albany Street, Cambridge, Mass.

New England Gas & Electric Association
May 16 filed 197,394 common shares of (par $8) beneficial interest being offered to common stockholders of record May 31 on basis of one share for each eight shares then held; rights will expire on June 20. **Price**—$15 per share. **Underwriter** — The First Boston Corp. to act as dealer-manager. **Proceeds**—To pay short-term notes and acquire stock of subsidiaries.

ITEMS REVISED EACH WEEK

The data in this compilation is brought up-to-date each week in accordance with later information made available by the SEC or other reliable sources. Where changes have been made during the past week, this is indicated by the symbol (★) appearing at the beginning of the respective listings. As heretofore, the symbol (●) preceding the name of the prospective borrower indicates that it is an entirely new listing.

★ New England Telephone & Telegraph Co.
May 23 filed 777,850 shares of capital stock being offered to stockholders of record June 8 in ratio of one share for each two shares held; rights to expire July 10. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To reduce outstanding temporary borrowings. Statement effective June 4.
Underwriter—None. **Proceeds** — To reduce outstanding temporary borrowings.

North American Acceptance Corp.
March 20 (letter of notification) 15,000 shares of 60-cent cumulative convertible preferred stock (par $5). **Price**—$10 per share. **Underwriter**—Michael Investment Co., Inc., Providence, R. I. **Proceeds**—For working capital. **Offering**—Postponed temporarily.

★ North Penn Gas Co. (6/18)
May 1 filed $2,700,000 of debentures due 1971. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; A. C. Allyn & Co., Inc.; Drexel & Co.; The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp. **Proceeds**—To repay bank loans. **Bids**—To be received up to 11 a.m. (EDT) on June 18 at company's office, 50 Broadway, New York 4, New York.

● Northrop Aircraft, Inc., Hawthorne, Calif.
June 6 filed 125,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriters**—William R. Staats Co., Inc., Los Angeles, Calif., and Paine, Webber, Jackson & Curtis, New York, and ten other firms. **Proceeds**—For working capital.

Ohio Edison Co.
March 30 filed 150,000 shares of pfd. stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); W. C. Langley & Co.; Glore, Forgan & Co. and White, Weld & Co. (jointly); The First Boston Corp. **Proceeds** — For construction program. **Bids**—Indefinitely postponed. Were to have been submitted up to 11:30 a.m. (EDT) on May 2.

● Old Colony Finance Corp., Mt. Rainier, Md.
June 1 (letter of notification) $250,000 shares of 6% subordinated debentures with stock purchase warrants attached. The latter will entitle holders thereof to purchase one share of common stock at $4 per share for each $100 of debentures owned. **Price**—At par (in denominations of $100, $500 and $1,000 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—3219 Rhode Island Avenue, Mt. Rainier, Md.

Olympic Radio & Television, Inc.
April 16 (letter of notification) 8,800 shares of common stock (par $1). **Price**—At the market. **Underwriter**—None, but Van Alstyne, Noel & Co., New York, will act as broker. **Proceeds**—To two selling stockholders.

Oro Flame Mining Co., Phoenix, Ariz.
May 24 (letter of notification) 328,500 shares of common stock to be issued to present stockholders and 25,000 shares to be publicly offered. **Price**—75 cents per share. **Underwriter**—None. **Proceeds**—To carry out program of development and operations. **Office**—1217 W. Jefferson Street, Phoenix, Ariz.

★ Oswego Falls Corp., Fulton, N. Y.
May 25 filed 96,000 shares of 5% convertible second preferred stock, series A (par $30) being offered to common stockholders of record June 13, 1951, at rate of one preferred share for each five common shares held; rights to expire June 28. **Price**—$31.75 per share. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—For working capital.

Pacific Western Oil Corp.
May 10 filed 200,000 shares of capital stock (par $4). **Price**—At the market (based on quotations on New York Stock Exchange at time of sale, approximately $21.25 per share). **Underwriter** — None. **Proceeds**—To J. Paul Getty, President of the company, who is the selling stockholder. Statement effective May 31, 1951.

Pan American Milling Co., Las Vegas, Nev.
Jan. 24 filed 200,000 shares of common stock. **Price**—At Par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment, to construct a mill in Mexico and for general corporate purposes.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price**—To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

● Pennsylvania Citrus Groves, Inc., Pittsburgh, Pa.
June 4 (letter of notification) 149,800 shares of common stock. **Price** — At par ($2 per share). **Underwriter** — Graham & Co., Pittsburgh, Pa. **Proceeds**—To purchase land in St. Lucie County, Fla., and plant thereon fruit trees.

Peoples Gas Light & Coke Co. (6/19)
May 22 filed $25,000,000 of first and refunding mortgage bonds, series H, due June 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and White, Weld & Co. (jointly); The First Boston Corp. **Proceeds**—To repay bank loans, for new construction and for additional investment (estimated at $7,700,000) in equity securities of Texas Illinois Natural Gas Pipeline Co., a subsidiary. **Bids**—To be received up to 10:30 a.m. (CDT) on June 19 at Room 1625, 122 So. Michigan Avenue, Chicago, Ill.

Pepsi-Cola Bottling Co. of Wash., D. C., Inc.
May 11 (letter of notification) 5,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None, but Ferris & Co., Washington, D. C., will act as broker for over-the-counter sales. **Proceeds**—To Bernard B. Schwartzman, the selling stockholder.

★ Pfizer (Chas.) & Co., Inc. (6/26-27)
June 6 filed 150,000 shares of cumulative convertible second preferred stock (par $100) and 444,015 shares of new common stock (par $1), the latter issue to be offered to common stockholders of record June 26 in ratio of one new share for each 10 shares held; rights to expire July 10. **Price** — To be supplied by amendment. **Underwriter**—F. Eberstadt & Co., Inc., New York. **Proceeds**—About $7,000,000 to complete expansion program already underway and the balance of about $20,000,000 will be available for additional working capital and for expansion of production facilities.

● Philadelphia Suburban Transportation Co. (6/18)
June 11 (letter of notification) $300,000 of 4½% convertible debentures of 1967 (each $100 principal amount convertible into three shares of common stock). **Price**—At par. **Underwriter**—None. **Proceeds**—For working capital. **Office**—69th Street Terminal, Upper Darby, Pennsylvania.

Potlatch Yards, Inc., Spokane, Wash.
May 22 (letter of notification) 20,000 shares of common stock (par $5). **Price** — $15 per share. **Underwriter** — None. **Proceeds**—For general corporate purposes. **Office**—909 W. Sprague Avenue, Spokane, Wash.

● Potomac Cooperators, Inc., Baltimore, Md.
June 7 (letter of notification) 4,600 shares of class B common stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—To execute plan for reorganization. **Office**—238 No. Franklintown Road, Baltimore, Md.

● Producers Corp. of Nevada
June 7 (letter of notification) 75,000 shares of common stock (par $1). **Price**—If private, $2 per share, and if publicly, at the market price between $2 and $3 per share. **Underwriter**—None. **Proceeds**—To develop costs and leases and acquire additional properties. **Office**—1224-1225 Milam Bldg., San Antonio, Texas.

● Property Income Corp., New York (6/24)
June 8 (letter of notification) 2,900 shares of 8% non-cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To be invested in income-producing real estate properties in the city of New York. **Office**—154 Nassau St., New York 8, N. Y.

Public Finance Service, Inc., Phila., Pa. (6/24)
April 30 (letter of notification) $250,000 of 6% cumulative debentures, 1950 series to be offered to present debenture holders. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—For additional operating capital. **Office**—13 West Chelten Ave., Philadelphia 44, Pa.

★ Public Service Co. of Colorado
May 24 filed 274,027 shares of common stock (par $10), of which 249,116 shares are being offered to common stockholders of record June 12 on a one-for-ten basis, with rights to expire June 28; and 24,911 shares to employees of company. **Price**—$22.75 per share. **Underwriters** — The First Boston Corp., New York; and Boettcher & Co. and Bosworth, Sullivan & Co., Inc., both of Denver, Colo. **Proceeds**—To be applied toward construction program.

● Purex Corp., Ltd., South Gate, Calif.
June 7 (letter of notification) 400 shares of capital stock (par $1). **Price**—$11.62½ per share. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif. **Proceeds**—To go to stockholders in lieu of fractional shares. **Office**—9,300 Rayo Avenue, South Gate, Calif.

Reading Tube Corp., Long Island City
June 5 filed $1,859,256 of 20-year sinking fund debentures due July 1, 1971, and 66,402 shares of class B stock (par 10 cents) to be offered in exchange for the 265,608 shares of outstanding class A cumulative and participating stock (par $6.25) on the basis of $7 principal amount of debentures and one-fourth of a share of class B stock for each class A share exchanged. **Dealer-Manager**—Aetna Securities Corp., New York.

● Realty Co., Denver, Colo.
June 7 (letter of notification) 2,000 shares of capital stock (par 25 cents). **Price**—$6 per share. **Underwriters**—Ralph Young, Colorado Springs, Colo., and J. A. Hogle & Co., Salt Lake City, Utah. **Proceeds**—For working capital. **Office**—937 U. S. National Bank Bldg., Denver, Colo.

● Rose (Paul H.) Corp., Norfolk, Va.
June 4 (letter of notification) 6,250 shares of class A common stock and 12,500 shares of class B common stock. **Price**—At $15 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—718 West 21st Street, Norfolk, Va.

● Sightmaster Corp., New Rochelle, N. Y.
June 4 (letter of notification) 600,000 shares of common stock (par five cents). **Price**—Estimated at 25 cents per share. **Underwriters**—Tyson & Co. and E. L. Aaron & Co., New York. **Proceeds**—To pay assumed debt of Sightmaster Television Corp., for payment of accounts

payable and to reduce loans, and for general corporate purposes.

South State Uranium Mines Ltd. (Canada)
April 9 filed by amendment 384,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter-Optionee**—Robert Irwin Martin of Toronto. **Proceeds**—For commissions, exploration and development expenses, and working capital.

• Southern New England Telephone Co. (6/27)
June 8 filed 400,000 shares of capital stock (par $25), to be offered for subscription to stockholders of record June 27, 1951, in the ratio of one share for each eight shares held; rights to expire July 20. **Price**—At par. **Underwriters**—None. **Proceeds**—To repay advances from parent company, American Telephone & Telegraph Co., and for new construction.

★ Spiegel, Inc., Chicago, Ill.
May 2 filed 85,850 shares of common stock (par $2) being issued to holders of cumulative preferred stock upon exercise of stock warrants on basis of one share of common stock for each share of preferred stock at $13.50 per share on or before May 31, 1953; $15 per share thereafter and on or before Nov. 30, 1954; and $16.50 per share thereafter and on or before May 31, 1956. **Proceeds**—For general corporate purposes. Statement effective June 4.

• Steak'n Shake, Inc., Bloomington, Ill.
June 6 (letter of notification) 18,180 shares of common stock (par 50 cents). **Price**—$5.50 per share. **Underwriter**—White & Co., St. Louis, Mo. **Proceeds**—To three selling stockholders.

Sterling Engine Co., Buffalo, N. Y.
April 27 (letter of notification) an aggregate of not to exceed 16,000 shares of common stock (par 10 cents). **Price**—At market (about $2.25 per share). **Underwriter**—None, but Bache & Co. will act as broker. **Proceeds**—To Addison F. Vare, the selling stockholder.

Sun Oil Co., Philadelphia, Pa.
May 3 filed 11,000 "memberships in the 1951 plan," effective July 1, 1951, to be offered to employees upon their becoming eligible for membership; a maximum of 111,000 shares of common stock (no par) which it is anticipated may be purchased by the trustees of the plan during the period July 1, 1951, to June 30, 1952; and 193,262 shares of common stock which "it is anticipated may be offered for possible public sale by certain selling stockholders during the same period," at market about $73 per share. **Underwriter**—None. Statement effective May 21.

• Sun Valley Trailer Park, Inc., Las Vegas, Nev.
June 8 (letter of notification) 275,000 shares of capital stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For construction of trailer park. **Office**—1304 Oakey Bldg., Las Vegas, Nev.

• Sunshine Oil, Inc., Seattle, Wash.
June 4 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—30 cents per share. **Underwriter**—None. **Proceeds**—To drill wells. **Office**—616 Jones Bldg., Seattle, Wash.

Sutherland Paper Co. (6/18)
May 29 filed 34,399 shares of cumulative convertible preferred stock (par $100) to be offered to common stockholders of record on or about June 18, 1951, on the basis of one share of preferred for each 25 shares of common stock (par $5) which will be outstanding following proposed 2-for-1 stock split-up; rights expected to expire on June 27. **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers, New York, and Harris, Hall & Co. (Inc.), Chicago, Ill. **Proceeds**—From sale of stock, together with funds to be received from private placement of a long-term note issue currently being negotiated through Lehman Brothers, will be used to retire outstanding 4¼% cumulative convertible preferred stock and for working capital.

Thermo-King Railway Corp., Minneapolis, Minn.
May 31 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—George F. Breen, New York. **Proceeds**—For working capital. **Office**—44 So. 12th St., Minneapolis, Minn.

★ Texas Electric Service Co. (6/18)
May 17 filed $11,500,000 of first mortgage bonds due June 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc., and Stone & Webster Securities Corp. (jointly); Hemphill Noyes, Graham, Parsons & Co. and Drexel & Co (jointly). **Proceeds**—For new construction. **Bids**—To be received up to 11:30 a.m. (EDT) on June 18 at company's office, Two Rector Street (Room 2033), New York 6, N. Y. Statement effective June 5.

Texas Southeastern Gas Co., Bellville, Tex.
May 16 (letter of notification) 19,434 shares of common stock to be offered to common stockholders through transferable warrants. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—For working capital.

• Thompson Trailer Corp., Pikesville, Md.
June 4 (letter of notification) 464 shares of common stock (no par) to be offered to present stockholders. **Price**—$120 per share. **Underwriter**—None. **Proceeds**—For working capital. **Address**—Box 356, Pikesville, Md.

Thorkon Co., Atlanta, Ga.
May 21 (letter of notification) 15,000 shares of 5% cumulative preferred stock (par $10) and 30,000 shares of common stock (par 25 cents) to be offered in units of one share of preferred and two shares of common stock. **Price**—$12 per unit. **Underwriter**—F. E. McMichael & Co., Hartford City, Ind. **Proceeds**—For working capital.

• Tower Building Corp., Chicago, Ill.
June 8, filed voting trust certificates representing 4,212 shares of common stock (no par). **Voting Trustees**—Herbert E. Hillebrecht, James H. Ferry, Jr., and Benjamin Wham.

United Gas Corp. (6/29)
May 25 filed 1,065,330 shares of common stock (par $10) to be offered to common stockholders of record June 27, 1951, on basis of one new share for each ten shares held, with an oversubscription privilege; rights to expire on July 19 will be mailed on June 29. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—To purchase securities of United Gas Pipe Line Co., a subsidiary, which, in turn, will use the proceeds to pay costs of new construction.

★ United Gas Corp. (7/24)
May 25 filed $50,000,000 of first mortgage and collateral trust bonds due 1971. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); First Boston Corp.; Harriman Ripley & Co., Inc., and Goldman, Sachs & Co. (jointly). **Proceeds**—To purchase securities of United Gas Pipe Line Co., its subsidiary, which, in turn, will use the funds to pay $7,000,000 of 3% promissory notes owned by United Gas Corp., and the remainder for its construction program. **Bids**—To be received up to 11:30 a.m. (EDT) on July 24 at Two Rector Street, New York, N. Y.

• United States Fire Insurance Co., N. Y.
June 6 (letter of notification) not exceeding 600 shares of capital stock (par $3). **Price**—At market (about $36.25 per share). **Underwriter**—None, but The Marine Midland Trust Co. of New York will handle sales. **Proceeds**—To holders of fractional shares.

United States Steel Corp., Hoboken, N. J.
May 21 filed 1,300,000 shares of common stock (no par) "to be offered from time to time to certain key employees" under an incentive plan. **Proceeds**—For general corporate purposes.

United Stores Corp.
May 25 filed 103,170 shares of $4.20 non-cumulative second preferred stock (par $5) offered for subscription by holders of second preferred stock of record June 13 on basis of one share for each 10 shares held; rights to expire on June 27. **Price**—$9.37½ per share. **Underwriters**—Union Securities Corp. and D. H. Ellis & Co., both of New York. **Proceeds**—To advance $495,000 to Cassels United Stores, Inc., a wholly-owned subsidiary, to be used to discharge a bank loan in that amount, and the remainder will be used for general corporate purposes.

★ United Utilities, Inc., Abilene, Kansas (6/27)
June 5 filed 199,451 shares of common stock (par $10) to be offered initially to common stockholders in the ratio of one share for each three shares held about June 26; rights to expire about July 10. **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For plant expansion and to repay bank loans.

• Van Lake Uranium Mining Co., Van Dyke, Mich.
June 7 filed 100,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—Titus Miller & Co., Detroit, Mich. **Proceeds**—For exploration and drilling of mining claims. **Office**—23660 Van Dyke Avenue, Van Dyke, Mich. **Offering**—Expected late this month.

★ Victoreen Instrument Co., Cleveland, O. (6/20)
May 22 filed 374,000 shares of common stock (par $1), of which 221,000 are to be issued by the company and 153,000 for account of John A. Victoreen, Chairman of the Board. **Price**—To be supplied by amendment. **Underwriters**—Barrett Herrick & Co., Inc., New York, and A. H. Vogel & Co., Detroit, Mich. **Proceeds**—For new equipment and working capital.

Washington Gas & Electric Co., Tacoma, Wash.
May 30 (letter of notification) 12,000 shares of common stock to be offered to stockholders by transferable subscription warrants to expire June 20; and any remaining stock to public. **Price**—$13 per share to stockholders and $13.50 to public. **Underwriter**—Glidden, Morris & Co., New York. **Proceeds**—To pay bank loans and for working capital. **Office**—101 So. 10th St., Tacoma, Wash.

Weisfield's, Inc., Seattle, Wash.
May 21 (letter of notification) 5,244 shares of capital stock. **Price**—$53 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—Ranke Bldg., 1511 Fifth Avenue, Seattle 1, Wash.

Western Osage Oil Co., Inc., Las Vegas, Nev.
May 28 filed 1,000,000 shares of common stock (par 20 cents). **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For drilling of exploratory well in Elko County, Nev.

★ Yale & Towne Mfg. Co., New York.
May 16 filed 102,197 shares of capital stock (par $25) being offered to stockholders at rate of one share for each five shares held on June 5; with rights to expire June 20. **Price**—$38 per share. **Underwriter**—Morgan Stanley & Co., New York. **Proceeds**—To repay bank loans and for new equipment. Statement effective June 5.

Prospective Offerings

Alabama Power Co. (9/11)
Feb. 6, it was stated that company contemplates issuance and sale of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Drexel & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—For expansion program. **Bids**—Tentatively expected to be opened on Sept. 11. **Registration**—About Aug. 10.

American President Lines, Ltd.
May 27, Charles Sawyer, Secretary of Commerce, proposed the public sale to the highest bidder of the stock of this company now held by the Department of Commerce. The proceeds would be placed in escrow until the Courts decide whether the stock rightfully belongs to the Government or to the Dollar interests.

Alaska Telephone Co.
April 25 it was announced company may soon file a letter of notification with the SEC covering $300,000 of 6% convertible bonds. **Price**—At par (in units of $100 each). **Underwriter**—Tellier & Co., New York. **Proceeds**—For new equipment and for expansion.

• Beaunit Mills, Inc.
June 8 it was announced stockholders will vote June 26 on approving issuance and sale of 100,000 shares of $5 cumulative preferred stock (no par). **Underwriters**—Probably White, Weld & Co. and Kidder, Peabody & Co. **Proceeds**—From sale of stock, together with $15,000,000 from bank loans and $3,000,000 from other sources, to be used to finance construction of a rayon tire yarn plant at Coosa Pines, Ala., and for working capital.

Bell Aircraft Corp.
May 28 stockholders approved a proposal to borrow $2,500,000 on bonds to mature serially. The proceeds will be used to finance construction of a $3,000,000 helicopter plant near Fort Worth, Texas.

Canadian National Ry.
May 28 it was stated company has about $48,000,000 of 4½% guaranteed mortgage gold bonds coming due on Sept. 1, 1951, in U. S. funds. Refunding likely to be under the auspices of the Canadian Government.

Carolina Natural Gas Corp., Charlotte, N. C.
Feb. 20 a fourth amended application was filed with the SEC for authority to build a natural gas pipeline system to serve certain areas in North and South Carolina. Estimated cost of the proposed facilities is $3,595,295, to be financed by the sale of first mortgage bonds and the issuance of junior securities. Underwriters may include R. S. Dickson & Co., Charlotte, N. C.

• Chesapeake & Ohio Ry. (6/27)
June 6 it was reported company plans issuance of $6,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart Co. Inc.; Salomon Bros. & Hutzler. **Bids**—Expected to be opened June 27.

Chicago District Pipeline Co.
May 22 it was announced that this company (a subsidiary of Peoples Gas Light & Coke Co.) may find it necessary to construct a 30-inch pipeline from Volo, Ill., to near Mt. Prospect, Ill., at a cost estimated at approximately $1,650,000. The amount and character of the financing are not now known. Bond financing in March, 1950, was placed privately.

Chicago & Western Indiana RR.
June 2 it was reported company expects to be in the market late this year or early in 1952 with a new issue of approximately $70,000,000 of first mortgage bonds, due 1981, of which about $65,000,000 will be sold initially. **Price**—Not less than par. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co. **Proceeds**—To refund $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to redeem $13,747,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962. The remainder will go towards property improvements, etc.

Columbus & Southern Ohio Electric Co.
May 16 J. B. Poston, President, announced that company plans an early offering of $10,000,000 first mortgage bonds. **Underwriters**—Last issue of bonds were placed privately on July 1, 1948 through Dillon, Read & Co. Inc., New York. If competitive, probable bidders may include Halsey, Stuart & Co. **Proceeds**—For expansion program.

Commonwealth Edison Co.
May 22 Charles Y. Freeman, Chairman, announced that the company's scheduled construction program for the 1951-54 period calls for the expenditure of about $450,000,000, of which it is estimated that $200,000,000 will be provided out of cash resources at the end of 1950. This means that additional capital of about $250,000,000 will be required through 1954. Neither the timing nor the nature of this new financing have yet been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Morgan Stanley & Co.

Consolidated Edison Co. of New York, Inc.
March 23 company applied to New York P. S. Commission for authority to issue and sell $25,000,000 of first and refunding mortgage bonds, series H, due May 1, 1981 (in addition to $40,000,000 series G bonds filed with the SEC on March 30). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Proceeds**—To redeem a like

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amount of Westchester Lighting Co. 3½% general mortgage bonds due 1967. **Offering**—Postponed.

● Consumers Public Service Co. of Brookfield, Mo.
June 8, the Missouri P. S. Commission authorized company to issue and sell 1,500 shares of 5% preferred stock (par $50). **Proceeds**—To repay $66,232 of notes and for working capital.

Delaware River Development Corp. (N. J.)
May 23, Chief Examiner Frank A. Hampton of the FPC filed a recommended decision which would order the issuance of a one-year preliminary permit to the corporation for investigation of the proposed development of a hydroelectric project on the Delaware River in New Jersey, Pennsylvania and New York, estimated to cost $47,000,000. Early last year, it was announced that the proposed project would be financed through the issuance of $28,200,000 of bonds, $14,100,000 of preferred stock, $4,700,000 of convertible common stock and 100,000 shares of no par value common stock.

Denver & Rio Grande Western RR.
April 12, Wilson McCarthy, President, stated that due to prevailing market conditions, the company has postponed to an undetermined date the taking of bids for the purchase of $40,000,000 first mortgage bonds to be dated May 1, 1951, and to mature on May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Bear, Stearns & Co. (jointly). **Proceeds** — Together with treasury funds, to redeem on June 1, 1951, $35,062,200 oustanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993.

Dow Chemical Co.
April 5, Leland I. Doan, President, stated that the company plans to spend $65,000,000 on plant expansion in the current fiscal year ending May 31, 1951, and expects to spend somewhat more in the following fiscal year. He added, however, that no decision has been reached on any possible financing in this connection. Traditional underwriter: Smith, Barney & Co., New York.

Fort Worth & Denver City Ry.
May 17 stockholders of Colorado & Southern Ry. approved a program providing for simplification of that company's corporate structure and for the refunding of the indebtedness of the company and its subsidiaries. This program calls for a new issue of $20,000,000 first mortgage bonds due 1981 of Fort Worth & Denver City Ry. and the transfer to the latter of stock and other obligations of seven Texas companies. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Salomon Bros. & Hutzler; The First Boston Corp.

★ Glass Fibres, Inc.
June 6, it was reported early registration is expected of 200,000 shares of common stock. Traditional underwriter: McCormick & Co., Chicago, Ill.

★ Glenmore Distilleries Co.
April 23 it was announced company expects shortly to file a registration statement covering 60,000 shares of $50 par convertible preferred stock and to withdraw statement covering 159,142 shares of class B common stock (par $1); see a preceding column. **Proceeds**—For working capital and general corporate purposes.

● Hahn Aviation Products, Inc., Phila, Pa.
June 7, it was announced company (in addition to sale of 5,000 shares of common stock filed with SEC) proposes to issue and sell another issue of approximately 29,651 shares of common stock (par $1) later this year. **Office**—2636 North Hutchinson Street, Philadelphia 33, Pa.

Hussmann Refrigerator Co.
May 28, it was announced stockholders will vote June 18 on approving issuance and sale of 23,000 shares of 4% preferred stock, series B (par $100), to Penn Mutual Life Insurance Co. The proceeds would be used to redeem 16,000 outstanding shares of series A preferred stock (held by the same insurance company) and the remaining $700,000 added to working capital.

★ Idaho Power Co.
June 6 company sought FPC approval of an issue of $15,000,000 of additional first mortgage bonds. Will probably be placed privately. If competitive, probable bidders may include Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Lazard Freres and The First Boston Corp. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc. Proceeds will be used for additions and improvements to the company's properties.

I-T-E Circuit Breaker Co.
May 28 it was announced stockholders have approved proposals to increase the authorized indebtedness of the company to $3,500,000 from $1,500,000, and the authorized but unissued preferred stock from 15,000 shares to 30,000 shares, par $100.

Kansas Gas & Electric Co.
May 24 Murray F. Gill, Chairman of the board, announced that the company's present construction program calls for expenditures of more than $8,000,000 in 1951. To finance part of the expansion program, company may sell $5,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). There is a possibility that company may also decide to refund its outstanding $10,000,000 first mortgage 3⅜% bonds due 1970 (held by a group of insurance companies) and $5,000,000 first mortgage 3⅛% bonds due 1978.

ITEMS REVISED EACH WEEK

The data in this compilation is brought up-to-date each week in accordance with later information made available by the SEC or other reliable sources. Where changes have been made during the past week, this is indicated by the symbol (★) appearing at the beginning of the respective listings. As heretofore, the symbol (●) preceding the name of the prospective borrower indicates that it is an entirely new listing.

McKesson & Robbins, Inc.
May 24 it was announced stockholders will vote Oct. 23 on a proposal to increase authorized common stock by 500,000 shares to 2,500,000 shares in order to provide for a probable offering of additional stock to common stockholders. Probable underwriter: Goldman, Sachs & Co., New York. Proceeds will be added to working capital.

Michigan-Wisconsin Pipe Line Co.
May 29, SEC authorized extension for one year, or until July 1, 1952, of maturity of $20,000,000 bank loans and the issuance and sale of 30,000 shares of common stock to the American Natural Gas Co., parent, for $3,000,000, to provide an equity base for contemplated future permanent financing which may include issuance and sale of $12,000,000 of first mortgage bonds. Previous debt financing was placed privately. If competitive, bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co., Inc.; Glore, Forgan & Co.

★ Mississippi Power Co. (7/23)
June 8 it was announced company plans to issue and sell $4,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); Salomon Bros. & Hutzler; First Boston Corp.; Otis & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, Blair, Rollins & Co., Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Lehman Brothers. **Proceeds**—For construction program. **Bids**—Will be received up to July 23.

Montana-Dakota Utilities Co.
May 24 the FPC authorized company to acquire natural gas facilities of three companies operating in Montana and Wyoming, to construct interconnections between the properties to be acquired, and to build additional compressor facilities. The estimated total cost of the facilities to be acquired is $4,770,389 as of Sept. 30, 1950, plus or minus book adjustments, and the facilities to be built are estimated to cost $708,774. To finance the transactions, the company plans to issue and sell $2,000,000 of preferred stock and $3,000,000 of first mortgage bonds (latter registered with SEC—see a preceding column). **Underwriters**—(1) for preferred stock: probably Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane.

New York State Electric & Gas Corp.
May 4, Joseph M. Bell, Jr., President, announced that the company's $66,500,000 construction program for the three years through 1953 involves new financing of $41,500,000 in addition to the $10,500,000 provided thus far this year through the sale of 2.80% first mortgage bonds, in accordance with contracts entered last August. Traditional underwriter: The First Boston Corp., New York.

Ohio Power Co.
May 15 it was stated that this company, a subsidiary of American Gas & Electric Co., will need $36,000,000, perhaps more, which it expects to raise some months hence through the sale of new securities. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). Proceeds will be used for construction program.

★ Pacific Power & Light Co.
May 25 it was announced company plans issuance and sale of common stock and bonds sufficient to raise approximately $13,000,000 needed to complete the financing of the 100,000-kilowatt Yale hydroelectric power dam which will cost $26,450,000. The remainder of the funds will be raised through bank loans totaling $13,500,000. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blair, Rollins & Co. Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp.; Kidder, Peabody & Co.; Blyth and Co., Inc., White, Weld & Co. and Harris, Hall & Co., Inc. (jointly). Stock would be first offered to stockholders, with Lehman Brothers, Union Securities Corp. and Dean Witter & Co. probably underwriting.

★ Panhandle Eastern Pipe Line Co.
June 8, the company was authorized by the Missouri P. S. Commission to issue and sell to the public $20,000,000 of 3¼% sinking fund debentures, due 1971, and to issue 60,000 additional shares of common stock to key employees under a stock option plan. **Underwriters**—For debentures, to be determined by competitive bidding. Probable bidders may include Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Halsey, Stuart & Co. Inc. (jointly). **Proceeds**—For construction program.

Pennsylvania Water & Power Co.
May 28 John A. Walls, President, announced stockholders will vote July 25 on approving changes in the company's charter provisions which would permit the issuance of the remaining 78,507 preferred shares as cumulative series preferred stock with a par value of $100. These shares are now without par value. Company now has a $25,000,000 expansion program, the financing of which will be accomplished through a later sale of securities to the public. The present outstanding 21,493 shares of $5 cumulative preferred stock were subscribed for by common stockholders in 1933.

★ Rochester Gas & Electric Corp.
June 6 stockholders voted to increase authorized common stock from 1,250,000 to 1,750,000 shares. It is planned to offer later this year about 150,000 shares for subscription by common stockholders on a one-for-seven basis and 50,000 shares to employees under a payroll reduction plan. **Underwriter** — The First Boston Corp. **Proceeds**—For expansion program.

South Georgia Natural Gas Co., Atlanta, Ga.
May 24 the FPC dismissed the application of company to construct 527 miles of natural gas pipe line to supply markets in Georgia and Florida, the estimated cost of which was between $10,500,000 and $12,080,000.

Southern California Gas Co.
April 4, the company indicated that it would soon be in the market with $18,000,000 of senior securities. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.) (jointly). **Offering**—Expected in the Fall.

● Southern Pacific Co. (6/25)
Bids will be received by the company up to noon (EDT) on June 25 at its offices in New York or San Francisco for the purchase from it of $10,500,000 equipment trust certificates, series FF, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; and Salomon Bros. & Hutzler.

Southern Union Gas Co.
May 23 C. H. Zachry, President, announced that company plans the issuance of $5,000,000 new first mortgage bonds within the next 60 to 90 days. **Traditional Underwriter**—Blair, Rollins & Co., Inc. **Proceeds**—For new construction.

Texas Gas Transmission Corp.
May 28 company outlined before the FPC plans for a 601-mile pipe line project to cost approximately $45,300,000. The program would increase the company's daily delivery capacity by 240,000,000 cubic feet to over 900,000,000 cubic feet a day. Tentative plans include the sale of around $30,000,000 of bonds (which may be placed privately with insurance firms) and about $10,000,000 of preferred stock (depending upon market conditions). The balance of the funds needed will be obtained from treasury cash or temporary bank loans. Traditional underwriter: Dillon, Read & Co. Inc., New York.

Texas Illinois Natural Gas Pipeline Co.
May 22 it was announced that company probably sometime during 1952 will issue and sell $34,500,000 in bonds and $11,500,000 in equity securities to finance expansion of its pipeline facilities. Late last year, stock was offered for subscription by common stockholders and bonds were sold privately.

Texas & Pacific Ry. (6/14)
Bids will be received until noon (EDT) on June 14 for the purchase from the company of $5,500,000 equipment trust certificates, series K, to be dated July 1, 1951. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harris, Hall & Co. (Inc.).

● Texas Utilities Co.
May 29, it was reported that company plans common stock financing late this year. Probable underwriters: The First Boston Corp., Rauscher, Pierce & Co. and Dallas Union Securities Co.

★Utah Power & Light Co.
March 8 it was announced company during 1951 proposes to issue and sell 200,000 shares of common stock about $12,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders (1) For bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler; First Boston Corp., and Blyth & Co., Inc. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); and (2) for stock: Blyth & Co., Inc.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); Lehman Bros. and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce Fenner & Beane (jointly). However, common stock offering may be made directly by company, without underwriting. **Offering**—Of stock expected about Sept. 18 and bonds late in October. **Proceeds**—To repay bank loans and to provide additional construction funds. May 18 company sought SEC approval to borrow from banks not in excess of $12,000,000. **Registration**—Expected early in August.

★ Washington Gas Light Co.
June 8 company filed with the District of Columbia P. U. Commission a proposal to issue and sell $9,000,000 of refunding mortgage bonds to mature July 15, 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp.; Alex. Brown & Sons (jointly). **Proceeds**—For construction program. **Bids**—Expected to be invited about July 16.

● Weingarten (J.), Inc.
June 6, it was reported company plans issuance and sale of 20,000 shares of preferred stock (par $50) to residents of Texas only. **Underwriter**—Moroney, Beissner & Co., Houston, Texas. **Offering**—Expected late this month.

Our Reporter's Report

Ever since the passage of the Truth in Securities Act in the middle 30's the investment banking world has been rankling over the costliness and the work entailed in drawing up a prospectus for a projected new offering.

True, some progress has been made in alleviating this burdensome task, but things still are far from what the underwriting bankers would like to see.

Now comes a former Securities and Exchange Commission member who declares that a good part of the trouble rests with the complainants themselves.

Edward T. McCormick, now President of the New York Curb Exchange and erstwhile SEC Commissioner, in a recent talk before the Investment Assn. of New York, says much of the blame for lack of even further progress arises from the seeming unwillingness of the bankers to put forward suggestions for changes on their own.

The latter, however, have been gun-shy through the years, made so by the very elaborateness of the Act itself and fearful of leaving themselves open to the possibility of charges of omission.

Perhaps the bankers would do well to take Mr. McCormick into their confidence and discuss the general situation with him with view to offering suggestions that he thinks might rest well with the Commission.

Certainly it is generally agreed that very few buyers of securities take the trouble to read the enormous volume of material that goes into the average prospectus.

Still No Haste

Market observers will say only that the current situation in bonds is "terrible." No one seems to be interested at the moment and even the small new issues brought to the offering stage this week proved a bit on the slow side.

Insurance companies, largest institutional outlet for new issues, have backed away again finding ample room, at least momentarily, for their activities in the direction of private deals and mortgage-lending.

That the market is still undergoing some measure of adjustment can be seen from the behavior of the recently floated Georgia Power Co.'s 3½s. Brought out at 101.871 a short time ago, that issue sold down to 101 on Monday and yesterday had a further dip to 100.

Willing to Wait

Another factor behind the current reticence of large scale buyers is believed to be the disposition to await the flotation of several good-sized deals which are in the offing.

Next week, for example, Commercial Credit Co.'s $40,000,000 of ten-year debentures are scheduled. It had been thought this issue might accelerated, but that was not the case.

Within the ensuing fortnight several other big ones are in tap. United Gas Corp. is due to open bids for $50,000,000 of first mortgage and collateral trust bonds. And Peoples Gas Light & Coke Co. has $25,000,000 new first and refunders due up for bids.

Then there is Appalachian Electric Power Co. which has $17,000,000 of new first mortgage bonds ready for bidders, with the proceeds to repay bank loans and provide funds for corporate purposes.

Bidding Is Brisk

Current small-sized issues bring out plenty of bidders as witness the California-Oregon Power Co.'s offering of $6,000,000 of bonds which drew tenders from six competitors.

Meanwhile, Public Service Co. of New Hampshire drew four bids for its $3,000,000 of new bonds offered on the same day.

The municipal market finds itself caught in something of a disagreeable "squeeze at the moment." It is quite evident, from the scarcity of bids for many such issues, that the voluntary credit control effort is working.

Several municipalities within the last week have turned down single bids made for issues that had been put up for sale.

Lehman Bros., Emanuel Deetjen & Associates Offer Am. Airlines Stk.

In a further step in its transition from a holding to an operating company, the Avco Manufacturing Corp. announced on June 12 disposal of its remaining interest in American Airlines Inc. common stock.

Victor Emanuel, President of Avo, reported the sale of a block of 257,694 shares, constituting 4% of the airline's outstanding stock, through a secondary offering immediately after trading ended on the New York Stock Exchange. Distribution was made by a group headed by Lehman Brothers and Emanuel, Deetjen & Co. The stock was priced at $15.62½ per share, with a dealer's discount of 45 cents per share.

Sale of the American Airlines stock followed by a day Avco's sale of its 48.6% common stock interest and other holding in the ACF-Brill Motors Corp. to a group headed by Charles Allen Jr. and Allen & Co., New York investment banking house. A year ago Avco, which once had extensive holdings in air transport and aircraft manufacturing companies, disposed of its holdings in Pan American World Airways, Inc.

Squibb Stock Offered By Union Securities, Harriman Ripley Group

An underwriting group headed jointly by Union Securities Corp. and Harriman Ripley & Co., Incorporated, on June 12, offered to the public 300,000 shares of common stock of E. R. Squibb & Sons, one of the country's leading drug and chemical firms. The stock is priced at $51.25 per share.

The purpose of the financing is to restore the working cash position of the company by the amount already expended on a program of plant additions and betterments; to finance the balance of the program, and to increase working capital. In the latter connection the company stated that a gain of approximately 15% in sales during the nine months ended March 31, 1951 has resulted in an increase in the amount of accounts receivable and inventories, hence the need for larger cash working capital.

A proposed two-for-one split of the presently outstanding common shares was announced recently by the company. To effect the split, a special meeting of stockholders has been called for June 22 to vote on an amendment to the certificate of incorporation under which the currently authorized 2,000,000 shares of $1 par value common stock would be changed to 4,000,000 shares of 50c par value common stock.

Hemphill, Noyes Group Offer Calvan Oil Stk.

An underwriting group headed by Hemphill, Noyes, Graham, Parsons & Co. yesterday (June 13) offered publicly 1,000,000 additional shares of Calvan Consolidated Oil & Gas Co. Ltd. capital stock at a price of $5.62½ per share. Of this total, 125,000 shares will be offered by Canadian underwriters. The entire class of stock has been accepted for listing on the New York Curb Exchange and trading began yesterday.

The company was organized February, 1951 to acquire the assets of five predecessor companies, as a result of which it is believed to have one of the largest independent interests in oil production in Canada. It has substantial producing interests in the Redwater Field near Edmonton, Alberta, the most important oil field developed in Canada to date The opening of the new Eastern Canadian oil market, made possible by the new Interprovincial Pipe Line, is expected to accelerate exploration and development operations in Alberta.

The company's President is George Maxwell Bell, founder of four of the five predecessor companies and President of all of them. Frank L. Fournier, formerly research geologist of Imperial Oil Limited and member of its producing committee, joined the company in May, 1951 as Vice-President in charge of exploration and development. It is anticipated that Blancke Noyes of Hemphill, Noyes, Graham, Parsons & Co. will be elected to the board of directors of the company.

Greenfield Offers Nat. Gas & Oil Corp. Stock

Greenfield & Co., Inc., New York, are offering 1,175,000 shares of common stock (par 10 cents) of Century Natural Gas & Oil Corp. at 25 cents per share.

The proceeds are to be used to pay for exploration, drilling and development expenses, the acquisition of additional producing natural gas (and oil) leases and/or leaseholds and for the testing, drilling and development thereof; and for working capital.

The Century company was organized in Delaware on April 18, 1949, and presently conducts chiefly a natural gas business solely in Pennsylvania.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—After weeks and weeks of hearings and thousands upon thousands of pages of testimony about who did and who did not do what, and who is a monkey's uncle, realistic observers on Capitol Hill believe they can now peg the significance of the MacArthur affair — the significance of this affair in terms of fairly tangible events.

This significance seems to them both clear and important, whether the observers like the results or not. In a word, the MacArthur influence is most definitely if slowly propelling the Administration toward adopting the approach of the deposed General Douglas MacArthur.

The "MacArthur influence," observers note, must be flagged and recognized as of much longer duration, or rather as starting much sooner than when Truman fired him and the General came marching home to the plaudits of the millions.

Actually, the MacArthur story really commenced in 1949. At that time the State Department had definitely planned to recognize the Communist Chinese regime. It was first decided that Great Britain would recognize. Then there would be a period of propaganda build-up for the inevitable U. S. recognition.

That this was planned, there is little dispute. This was the expectation of close friends of the State Department two years ago, who freely predicted it. Then MacArthur got to work. At first he had a very small group of members of Congress who got his advice, and raised a little Ned on the floor of the Senate, men such as Senators William F. Knowland (R., Cal.). The circle of Congressional friends of General MacArthur has steadily widened.

The General's earliest influence was to spike the plan to recognize the Communists, with all that would presumably follow such recognition. What would follow would be admission of the Communists to the UN, and throwing of the Nationalists to the wolves, the surrender of Formosa, and probable Communist Chinese participation in the framing of the Japanese peace treaty.

At this early stage the General got a tremendous assist from the Commies themselves, when they grabbed the U. S. Consul General at Mukden, Angus Ward, and his staff, and quartered them with the lice in the Oriental hoosgow. This put a terrific crimp in the State Department plan for early recognition of the Commies — and it gave time for the MacArthur influence to spread.

So General MacArthur had a terrific influence, perhaps a decisive one, in persuading the U. S. Government reluctantly to change its plans to bring Red China into the recognized family of nations.

With the dramatic firing of the General and his triumphal return as a conquering hero, there followed the seemingly endless Senate hearings. This latter episode as a whole is believed to have accomplished the following results:

It has made it impossible with public opinion in the U. S. for the Truman Administration to recognize Communist China, admit that government into the UN, to allow the surrender of Formosa to the Commies with the eventual liquidation of Chiang's Nationalist forces, and it also has made it impossible to invite the Commies to the Japanese peace treaty negotiations.

Thus, the whole effect of the MacArthur affair has been to prevent the State Department from offering any of the above four concessions which the Chinese Commies want as the price for making peace in Korea.

In the net, therefore, the MacArthur affair has made the job of bringing the fighting to an end in Korea an extremely difficult one.

On the other hand, the Administration has virtually "promised" the American people that war in Korea will come to an end before long. In the process of knocking down the MacArthur arguments against extending the scope of war against the Communist Chinese, all the top Administration witnesses have in effect said that "our way" is the better.

In other words, the Administration has made a virtual commitment, in the eyes of the public, that it can end the hostilities without bombing of Manchuria or blockading the coast of China.

If the stalemate in Korea continues well into the Fall, it is reasonable to expect the Administration to be forced, under pressure of public opinion, to enlarge the scope of the war. Public opinion, it is contended, will not permit a prolonged stalemate without more aggressive action by the U. S.

So the "MacArthur influence" means that unless the Administration is correct in its estimate that the Chinese will tire of the attrition against their forces, or unless the Reds for other considerations, of which there could be several, end the war—that a larger scale war will develop. By the Fall of this year an invasion of the Chinese mainland with U. S. led Chinese Nationalist forces is likely to be talked seriously and be given favorable consideration by the Truman Administration, it is asserted.

* * *

Republicans in Congress for the most part have decided to talk against wage and price controls but when the final test arrives, to do little as a party organization to try to kill those controls.

If the Republicans as a party would decide to fight these controls, together with dissident Democrats, they could come pretty close to killing those controls in a bill to extend the life of the Defense Production Act.

Those more earnest elements in the party on the Hill who wanted to kill these controls on principle, were met with this shrugging answer:

If Truman is correct that by the Fall a large-scale inflation will hit the country, then the Republicans as a party would be blamed for the death of controls and the high cost of living.

On the other hand, if Truman is wrong in his estimate, and there is a prolonged period during which defense production does not pick up the slack of unemployment caused by diversions of industrial raw materials away from the civilian economy, then the existence of the price and alleged wage controls will rebound with devastating effect against Mr. Truman.

Even if the situation is somewhere between—barring a genuine national emergency—the public will dislike controls.

"Therefore let's leave the dead cat of wage and price controls tied around Truman's neck," is the GOP Congressional philosophy.

* * *

Despite the unannounced decision of the GOP as a party to avoid waging more than a feint at killing wage and price controls, there is no indication that the path for a two-year extension of DPA is now paved with roses, or that the Act will escape serious amendment.

Few seriously talk a two-year extension, so unpopular is the Johnston-DiSalle administration of these controls. Both House and Senate Banking committees are now about to write their versions of the bill in executive session. Between the committees and floor consideration, there are bound to be proposed some changes in the present law—even in a temporary extension. This will preclude agreement now on the terms of a long extension, require a quick vote, probably to continue DPA "as is" for 30 days or more.

The two big questions are, as the committees get around to writing the text of their DPA extensions, as follows:

(1) Can "just a little bit" of changes be written in the temporary extension, such as abolishing the beef roll-backs, something to prevent the "Wage Stimulation Board" from rolling forward wages too much, or something to kill off Eric Johnston's unpopular "profits standard" formula for limiting price relief.

(2) How long should the temporary extension be. There will be a howl about the plan of some to write a one year's extension. One year would end DPA just about the time of the two national conventions. Then if DPA's price and wage controls were unpopular, the "dead cat" would smell very fragrant around the Democratic party's neck. If by June, 1952, wage and price control were popular, then Democrats would be happy to have its renewal endorsed at the Democratic national convention, Republicans most unhappy.

It is the nature of the political animal to want to avoid taking a chance on something that can go so much one way or another.

The same attitude is true about an 18-months extension, which might precipitate the subject of price and wage controls on the eve of a national and Presidential election.

* * *

With most of the big money bills yet to come up, the House has reduced appropriations $1,360 million below budget estimates. The Senate shows signs of adopting a scheme to limit payrolls of Federal agencies much softer than even the mild Jensen amendment, which would allow the hiring, with certain exceptions, of only eight employees for every 10 who separated from the payroll for any reason.

* * *

It is the Administration forces who are showing the greatest unhappiness, currently, in a tug of war between the conservatives and the Administration forces. This tug of war involves the holding up by House conservatives of the Defense Housing bill and the Senate "liberals" of provisions for additional FHA insurance money. The "liberals" assume that if they threaten to dampen down the construction business by holding out on FHA money, the construction industry will be able to bring enough pressure on conservatives to force them to go along with the defense housing bill.

The first sign of the nervousness of the Administration forces was the action of FHA in notifying its district offices to accept no more applications for FHA insurance except when allowed, "because FHA is out of money."

The other signs are the avowed nervousness of "liberals" because the conservatives haven't shown a sign of being interested in letting the Defense Housing bill get out.

* * *

Rep. Wright Patman (D., Tex.), an avowed antagonist of the Federal Reserve System, does not plan to start public hearings on a new monetary study before fall. Patman was named Chairman of a monetary subcommittee of the Congressional Joint Economic Committee.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Can you substitute 'as long as you both shall live' to 'as long as his dividends remain fat'?"

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Harold E. Shaddick has become associated with Hornblower & Weeks, Penobscot Building. He was formerly with Bradley Higbie & Co. and White, Noble & Co.